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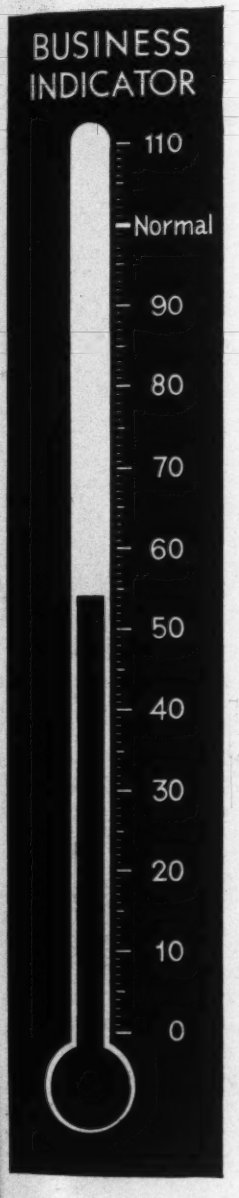
THE BUSINESS WEEK:



Ante-election jitters induced by a catch-as-catch-can campaign have so far had little influence on the course of economic events except to dampen and postpone all but purely intramural speculative activity in the security markets, pile up idle bank reserves and put a lot of sulky or cautious capital on the breadline at the lowest interest rates on record. . . . Despite the apocalyptic consequences of their defeat promised by both parties, all important indicators of production and trade show steady improvement of full seasonal proportions for the first time in four years, and in some instances, such as carloadings, this expansion is persisting after the usual seasonal turning point has passed. . . . The slow rise in steel output cannot be expected to continue at this season without exceptional support from the principal consuming industries, and other indicators of activity must soon succumb to the usual year-end recession; but it has become pretty plain by now that something important happened to the business trend this summer, and the strange thing is that, after waiting for it for three years, it is almost altogether ignored in the infantile excitements of an election season. . . . Among the principal new influences that may be looked for after the election is the use to which the enormous volume of idle short-term funds now floating about the money markets of the world will be put. . . . In view of the virtual disappearance of their capacity to earn anything at their present uses it is plausible to expect a vigorous revival of speculative and investment activity after election uncertainties are over.

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THE BUSINESS WEEK (with which is combined The Magazine of Business) October 26, 1932, No. 164. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N.Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $7.50 per year, in U.S.A. and possessions; $10.00 or £2.10s. per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N.Y., under the act of March 3, 1879. Printed in U.S.A.

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This Business Week:

Employment

August saw a small, timid upturn in employment; September figures show the increase continuing. The improvement is more a matter of percentages than people, but it looks good to a world anxiously awaiting a hopeful sign. *(p. 5)*

Progress report of the work-spreading program lists more converts to the movement. For many industries, however, going on a 40-hour week would be a boom! *(p. 6)*

Dividends

Corporation earnings are a measure of tangible business activity; corporation dividends are a measure of intangible business sentiment. Earnings will take longer to show the effects of improvement but dividend declarations already reflect confidence in the future. *(p. 7)*

Oil

The petroleum industry has always worked out its own salvation. It has again lifted itself by the bootstraps out of a dangerous production situation, guided by that grandfather of the industry which feels so keenly its responsibility. *(p. 8)*

Ethyl Gasoline is sounding out sentiment on a plan to eliminate the middle grade of gas, blend ethyl and third grade to specification at the service station pump. There are objections. *(p. 8)*

Real Estate

Landlords—particularly those who have resisted reduction pleas—are alarmed by the threat of "rent receiverships" by which hard-hit chain stores commit commercial suicide, resurrect themselves unburdened by unprofitable leases. *(p. 9)*

In the present unsettled rental situation, landlords are turning to the percentage lease; since it puts them in business with the tenant, they have developed certain protective practices. *(p. 9)* A Department of Commerce-Chicago University survey shows up the burden of rent on low sales. *(p. 10)*

Marketing

Present distribution of textiles is a chaos of competition. Manufacturers propose to select wholesalers, protect territories, set up an adaptation of the automobile sales system and test it for textiles. *(p. 11)*

Los Angeles merchants are trying to restrict price advertising. *(p. 10)* Chain stores are watching the outcome in the Supreme Court of Liggett's fight against Florida's chain tax. *(p. 10)* In the National Drug Store Survey, wholesalers can see overselling responsible for returned goods. *(p. 11)*

New Products

More new things to open new markets, keep old machines busy: black-bottomed, heat-saving aluminum pots and pans; a spark plug cleaner that sells new plugs; another house delivery car; a kitchen stove that will heat a house as well as cook; a revolutionary engraving machine; a storage battery of unheard-of capacity and great possibilities; a by-product of synthetic rubber which is an excellent protective coating. *(pp. 11-12)*

Radio

Washington thinks there won't be any radio patent "divorce" suit but there are many points to be settled including custody of the children. *(p. 13)*

Transport

Both rail wages and rail rates have been shunted onto a siding to let the election express go by, to wait—perhaps—for the recovery special. *(p. 14)*

The old special excursion, made de luxe with Pullmans, has done very well. *(p. 14)* Those 9 states which refused to honor the rate increases are required by the I.C.C. to do so. *(p. 13)*

National Finance

The U. S. government is the biggest bank in the world. A brief examination of its books and a quick, comprehensive review of its work in trying times. *(p. 15)*

Uncle Sam is quite happy about losing some of this business: postal savings depositors are drifting back to the banks. *(p. 16)*

Home Loan Banks, started up this week, found a crowd of customers waiting for the doors to open. Which brings up the embarrassing question of farm mortgages. The land banks, it seems, have been hanging up the "S.R.O." sign, which means to many farmers, "Sold Right Out." *(p. 20)*

Tariffs

However unsatisfactory, foreign (invoice) value will probably continue to be the basis on which duties on most imports are assessed. The Tariff Commission calls the domestic value base impractical. *(p. 22)*

Figures

Electric power, bituminous coal, and carloadings improvement is offset by the slackening in construction activity and the holiday-week drop in check payments. Steel at 20% of capacity waits for its big customers. Commercial loans gained slightly. Currency circulation declined somewhat. Commodities continue unsettled. *(p. 32)*

Foreign

At the time of the Ottawa Conference, Americans knew what would happen. Publication of Canada's first British preference lists is confirmation of the feeling that empire tariffs mean lowered agricultural and raw material exports for us. *(p. 24)*

The world outlook continues with little change. Britain is wearied but unworried. France is alarmed over the budget; Germany encouraged by production increases. Japan sees some improvement. Commodities irregular; exchanges weak. *(p. 29)*

Why

This Steel Mill Modernized

SEEKING to improve quality, to handle greater variety, and to lower costs, the Allegheny Steel Company of Brackenridge, Pa., replaced some of its old mills with a new completely electrified continuous breakdown mill.

Mr. W. F. Detwiler, Vice President and General Manager, says:

"The operation of our new mill has been highly satisfactory. Quality is more uniform, operating costs are lower, and we can handle a greater variety of materials and sizes. No doubt, when sufficient business is available, this mill will prove to be a highly profitable investment, compared with the old-style installation which it replaces"

Thus the advantages of modernization are exemplified in the steel industry. In one form or another, the benefits of modernization are evident in every industry.

Do you give thoughtful hearings to modernization plans? The right kind of modernization pays for itself.

Electrical modernization is solving many a problem of profits. The facilities of General Electric are at your disposal, to help you plan and execute. General Electric Company, Schenectady, N. Y.

200-658

GENERAL ELECTRIC

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending October 22, 1932

September Job Rise Strengthens Hopes Born of August Gains

It's an upturn more impressive in percentages than in numbers but it's real and it's widespread

AT a time when business is eagerly clutching at any and all kinds of straws to find out which way the economic winds are blowing, there are no straws more significant than those swept in with the reports on nationwide employment and payrolls. Business men who realize this have been anxiously awaiting September figures from these reports, particularly since the August returns (*BW—Sep28'32*) aroused hopes that a turn was at hand.

September's straws from many scattered states and cities now support those hopes. Reports to the U. S. Bureau of Labor Statistics from 15 industrial groups show increases from August levels amounting to 3.6% in employment and 2.6% in payrolls, against an August rise of 0.5% from July employment totals and an August drop of 1% from July payroll disbursements.

Even more arresting is the fact that this year's September increase in manufacturing employment—4.5%—is the largest gain over August figures since the 1921 depression—and that the next largest is the 3% September rise of the 1922 recovery. In the same way, the September, 1932, manufacturing payroll jump of 5% finds its closest parallel since the last slump in the September, 1922, rise of 4.4%.

More Jobs

Expressed in number of jobs or dollars this recovery is, of course, less impressive than appears from the percentages. For some industries and localities summer jobs and payrolls dropped so low that small increases look startlingly large in terms of percentages. But there is no questioning the importance of the trend or the significance of the fact that the August upturn in a few industries and localities has now broadened out.

The following table setting forth typical percentages of increase over August employment and payroll totals shows what has happened in manufacturing industries during September:

State and City	*Employment*	*Payrolls*
New York State	6.5	9.3
New York City	8.6	12.1
Pennsylvania	3.9	7.5
Philadelphia	5.6	13.6
New Jersey	4.2	7.0
Illinois	1.1	1.0
Chicago	0.8	1.2
Rhode Island	13.2	..
Providence	10.4	..
Maryland	3.6	3.4
Baltimore	2.3	2.8
Delaware	5.9	7.3
Kansas	1.9	0.8
Leavenworth	17.0	12.3
Iowa	2.7	...
Des Moines	1.9	...
Texas	4.9	...

For the country as a whole, the canning industry reported the largest seasonal gain in employment (26.6%) and in payrolls (14.6%), while anthracite mining followed with a 13.6% advance in both items. These 2 groups had also made substantial pick-ups in August. Retail trade absorbed 7.2% more workers and increased its payroll by 6.3%, which is a better showing than last year's. The number employed this year, however, is more than 11% below the 1931 level. September marks the period for the customary increase in the cleaning and dyeing groups which added 4.7% to their staffs and swelled payrolls by 8.5%. Wholesale traders increased employment slightly. Decreases continue in the telephone and telegraph, power and light, electric railway and bus, hotel, and laundry industries.

Textiles Expand Most

The textile group again topped the list of manufacturing industries reporting to the U. S. Bureau of Labor Statistics, expanding forces 14.1% and payrolls 23.4% following August increases of 12.7% in employment and 24.9% in payroll disbursements. The outstanding declines among manufacturing industries were in transportation equipment and rubber goods, both re-

International News

JOBS AGAIN!—*American Radiator Co. re-opened its Bayonne (N. J.) plant on Oct. 17, announced a work-spreading schedule to make jobs for a regiment (page 6), and found an army encamped at its doors*

flecting the sluggishness of the motor makers.

Substantial increases in employment during September were also reported in the rayon, typewriter, men's furnishing, women's clothing, confectionery, fertilizer, and millinery industries, but these were largely seasonal.

New York State's normal seasonal gain in September—about 2.5% in employment and 3.5% in payrolls—was far exceeded this year. New York City again leads the state in amount of employment and payroll expansion, influenced largely by the clothing and millinery industries. Most encouraging aspect of the Empire State data is the evidence of a check in the steady downward trend in the metal industries. In Pennsylvania, unusual increases nearly double those of August brought employment 7% and payrolls 13% above the July low.

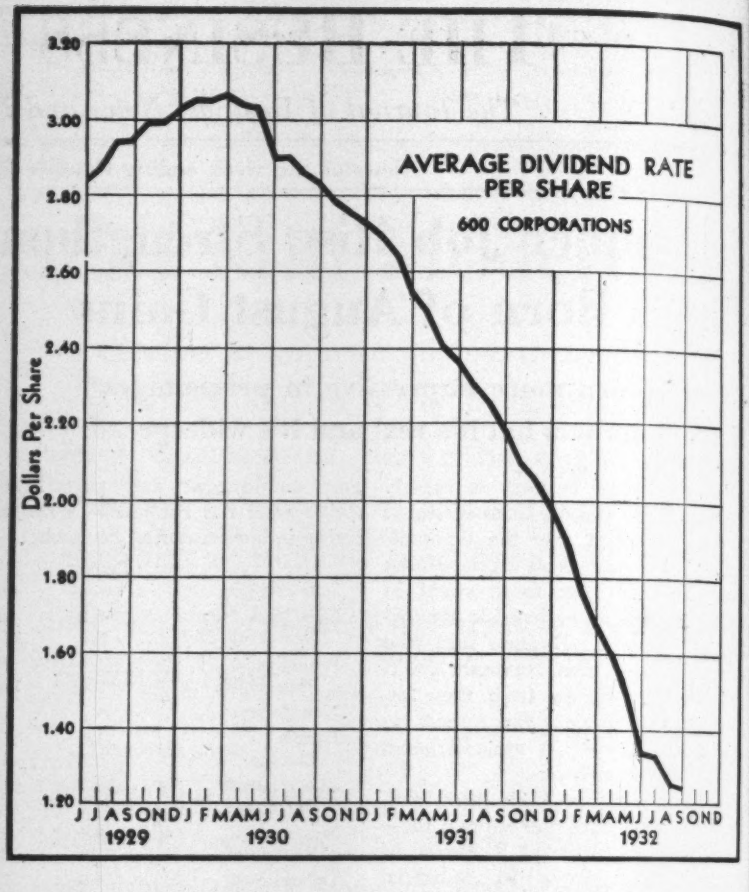
Construction Improvement Spotty

Data on the construction industry is more scattered and less cheerful. During August, 34 states reported a 1.9% decline in employment and a 3.6% drop in earnings, though in such areas as Wisconsin, Seattle, Portland, Ore., Duluth, Baltimore, New Orleans, and Des Moines, for instance, improvement was marked. In New York State during September both building and miscellaneous general contractors reduced forces. In Rhode Island, building construction called for 7.7% more workers, but road, bridge and sewer construction lagged sufficiently to force a 9.2% labor cut. California reports a 13.3% decline in employment of some 172 building and construction firms, with a 14.5% drop in payrolls. Maryland put a few more workers into building construction with payrolls increased 8%.

No Pickup on Railroads

Railroad employment during August —latest month for which data are available—dropped below the million mark for the first time in 33 years. And the August figures cover only Class I steam roads, while previous records take in jobs on all railroads.

Finally, October farm wages reached a new low for 30 years—$1.19 per day without board. The rate ranges from 60¢ a day in South Carolina to $2.50 in Massachusetts. The downward trend in farm wage rates at this season apparent for the past 2 years has been due to declining prices for farm products. This year the drop comes in face of an upturn in farm prices. However, such a lag between commodity gains and higher wages is a familiar phenomenon in wage fluctuations.



Work-Spreaders Will Have to Spread It Thin

ECONOMISTS contended with business men for the headlines on this week's news of progress in work-spreading.

Most of the business men reporting their adherence to the movement so far are those for whom going on a 5-day week means a reduction in working time and a chance to make new jobs or at least to save old ones. Among the latest converts, Herbert L. Pratt, chairman of Socony-Vacuum Corp., has announced that his company will cut 30,000 employees to a 5-day schedule on Nov. 1, and make proportionate cuts in the pay of all those getting $100 and up a month. Phillips Petroleum Co. will also join the oil roster of work-spreaders on Nov. 1 with a similar program. The American Radiator Co., re-opening its Bayonne plant on Oct. 17, put between 1,000 and 1,500 men on a 2-shift, 5-day schedule. Mullins Manufacturing Co. of Salem, O., reports that it has increased personnel.

Latest compilations from the investigation covering 1,500 employers which the National Industrial Conference Board is conducting into industrial working time again raise the question of how far work-spreading can go with the support of companies which can still *cut* to 5 days a week. The figures show that in 21 divisions of industry the average work-week in August was only 32.2 hours with average weekly earnings down to $15.35; that only 4 industries were providing 40 hours or more work a week; that 8 could not offer even 30 hours a week. Even in 1929, says the Conference Board, 70% of the factories reporting prevailing work hours to the Census Bureau were down to 45 hours a week and over 85% of the wage earners worked in such factories. "These figures," it adds, 'are significant in view of the fact that prominent authorities are urging the adoption of a 40-hour week as an emergency measure to meet the present unemployment situation."

A split-up of the survey by industries reveals the following prevailing weekly hour schedules in August: Boot and shoe, 41.7; meat-packing, 47.9; news and magazine printing, 41.4; silk, 40.6; automobile, 22; electrical manufacturing, 24.9; iron and steel, 24.8; rubber, 29.2; foundries and machine shops, 27.4. Other principal industries reported between 30 and 40 hours a week.

By Their Dividends, You Know Directors Are Feeling Better

September declarations indicate that they are beginning to look ahead, if not up

IMPROVEMENT in business and prices has not gone far enough to warrant expectation of any marked, immediate pick-up in corporation earnings as a whole, although individual concerns have benefited greatly by larger volume in some consumer lines like textiles. Persistent pressure for cost reduction has put many corporations in a position to show a prompt upturn in earnings with even small increases in business volume, and in some cases these economies have been pushed so far that, with the assistance of exceptionally low raw material costs, improved earnings have been possible even at the low volume of recent months.

Since better corporation earnings statements will be the most substantial evidence of the solidity of business recovery, prophets looking for the first faint weather signs of improving corporate profits have been casting an eye at the current dividend records and have found some slight comfort. Earnings reports are late and quarterly statements are all too few. Third-quarter reports are still too scattered to be conclusive, though the first industrial corporations reporting seem to show a tendency toward a slightly smaller percentage of decline in net earnings below the corresponding period of last year than they did for the full 9 months.

Dividend actions are not direct evidence on the position of earnings, but they indicate at least something of the management's view of the most recent earnings experience and the profit prospect. Since third-quarter dividend declarations are usually made in September, the September record is an especially important indication of the state of mind of boards of directors, if not of corporation balance sheets.

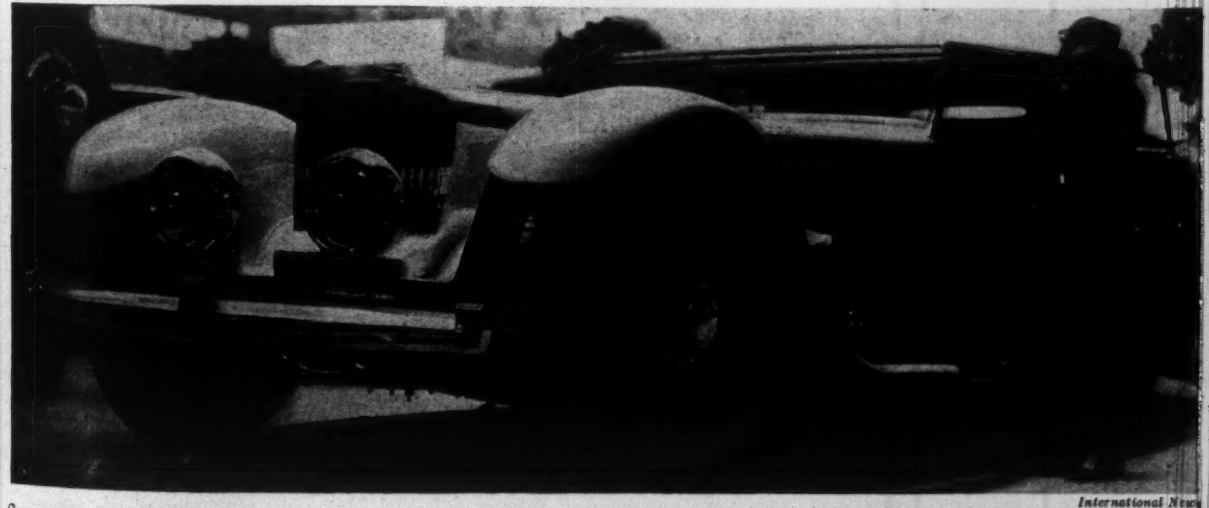
Aggregate dividend declarations in September were, of course, much lower than those in September last year, approximately $200 millions against $350 millions, and likewise fewer corporations declared any—about 1,200 against 1,650 last year. But there were some features of this September's record that were slightly encouraging. There is nothing surprising in the fact that fewer corporations omitted dividends this September than last because there are naturally fewer dividends left to omit. But it is probably of some significance that 10 corporations resumed dividends this September against 8 last year, and that only 81 reduced the rate as against 112 last September.

The speed at which the average dividend rate is being reduced or raised is a rough but suggestive guide to the trend of corporation earnings, or at least of expected earnings. The accompanying chart, based on figures compiled by Moody's Investors' Service, shows the average cash dividend rate per share of 600 identical corporations, weighted according to the number of shares of each corporation, adjusted for split-ups, etc. It will be noted that the average dividend rate reached its peak—even higher than in 1929—in the spring of 1930, when executive optimism or the desire to encourage it was evidently still high. Since then there has been a steady downslide, but beginning in June the rate of decline slackened and in September the curve seemed to be flattening out, almost as though directors had stopped looking down and begun looking ahead, if not up.

A Striking Comparison

Since this compilation includes corporations which omitted as well as reduced dividends during this period it presents a sort of picture of unemployment as well as earnings of equity capital in industry. Although the two things are in no sense comparable, it is striking that payrolls in manufacturing industry have declined in somewhat greater proportion, although they started to fall off somewhat earlier than dividends. Total payrolls have declined about 65% since their peak in 1929, and have begun to turn up in the past 2 months, while the annual rate of dividend payments for these corporations has fallen 57.3% and has recently shown signs of stopping its decline.

Despite the drastic drop in dividend



International News

SHOW CAR—*Longest and largest at the Paris Motor Show, was this Bucciali. Radical changes in car design were few, improvements and refinements many, this year. American motors had strong representation, although General Motors exhibited separately. In such special models, are seen the innovations which will inspire tomorrow's production jobs*

payments these 600 corporations are still paying them out at the rate of nearly $1,150 millions annually, and 39 are still paying at the 1929 rate, though a third of these are not earning what they are paying out on their common shares. Five companies, American Tobacco, Coca-Cola, Hershey, Lorillard and United Biscuit are paying more than they did in 1929. Only one railroad, C.&O., has held its dividend, if any, up to the 1929 level.

Oil Once Again Helps Itself, Cuts Production to Hold Price

The battle for prorationing, it seems, is being won on the playing fields of dear old 26 Broadway

THE oil industry has once more taken a firm grip on its bootstraps, pulled mightily, and lifted itself out of the yawning hole between over-production and under-consumption. In the initial jerk, and in the subsequent restraint, may be seen the fine and practiced hand of old Grandfather Standard in his several and various incarnations.

It was Standard of California, back in June, which first demonstrated this paternal interest. It gave prorationing its start by promising higher prices if crude were controlled, and since then California has behaved beautifully, set a good example for other states.

It was Standard of Indiana which recognized, dragged into the open, and then renounced, the system of secret discounts which was undermining the retail price structure. The soft and evasive discount was dropped for an open price cut that hurt when it hit the chiselers.

It was Standard, New Jersey, which picked up this club in the East and South and knocked down service station prices as a warning to price-cutters and discounters.

Standard Again Acts

It was Humble Oil (subsidiary of Standard, New Jersey) which put its foot down hard on the fingers of the Texas Railroad Commission when that regulatory body increased the allowable in the face of declining demand. The commission slapped back, but Humble won its point, and the ensuing excitement attracted so much attention that the allowable was restored and the whole question of state proration thrown open in a statewide meeting.

This meeting, highly conscious of a real and personal dollar devil, considered it better to cut production than prices, as a consequence turned into a revival for that old-time proration religion. The Railroad Commission cut the state allowable from 922,000 bbl. a day to 804,000.

Almost coincident with the good news, oil companies showed their appreciation with a crude price increase. Said Sun Oil, first to offer it, "The time has arrived for cooperation of the whole industry with state authorities; that means we must pay a price for crude oil high enough to encourage producers' adherence to lawful conservation."

Interrupting the Fun

The move was quickly followed by other major companies, including Texas, Barnsdall, Gulf, and the purchasing subsidiaries of Socony-Vacuum, Consolidated, Phillips, Cities Service. It looked like $1 crude and happier days for the Mid-Continent.

In the midst of the fun, Standard of Indiana, biggest buyer in the field, announced in a harsh and practical voice that "conditions do not warrant even the present prices and will not give necessary support to an increase." Such an increase, it continued, would simply provide leeway for further abuses and delay progress toward permanent recovery in the industry.

Humble, Carter, and Standard of Louisiana (buying subsidiaries of Standard, New Jersey) announced approval of these realistic views, did not increase prices. Thus left in the lurch, there is some doubt as to whether the increases will stick with the biggest buyers against them.

These actions are hardly accidents of coincidence, they are—to many observers—evidence of the responsibility which the Protean grandfather of the industry feels keenly.

Such events as the renewal of prorationing in Texas are encouraging, especially heartening when they come in the nick of time. But they leave a great deal still to be done. Companies are still driving for gallonage, paying for it with price cuts made possible by too great a spread between refinery and pump prices. Too much gasoline is still being manufactured, with consequent harm to retail price structure. Bootlegging, tax evasion are still profitable.

Many of these troubles stem back to the continuing decline in consumption. Many of them may be cured by more and better prorationing through refiner to producer. The industry takes this production control religion more and more seriously.

California recently reduced the allowable from 476,000 to 448,200 for the rest of the year; October is scheduled for 447,500 bbl. a day. A further cut of 25,000 to 30,000 bbl. a day is now being considered. Oklahoma is cooperating, the October allowance was cut 15,975 bbl. to 381,740 bbl.

National Control?

There is even talk of production control going national. Northcutt Ely, executive assistant to the Secretary of the Interior, and chairman of the technical and advisory committee of the Federal Oil Conservation Board, came back from an Oklahoma meeting considerably impressed with the idea.

A program of state prorationing, authorized by Congress and with federal control of imports, would be based on production quotas worked out by an interstate body under federal supervision to protect the consuming states. Under the proposed compact, the states would use their already court-tested police power for the benefit of the nation, which must protect its oil and gas reserves but which lacks the direct power. The plan, says Ely, is simple; the steps are plain; application would be comparatively quick and easy.

Station-Blended Gas Has an Obstacle

OIL refiners and retailers are considering the feasibility of made-to-order gasoline. The Ethyl Gasoline Corp. has a plan which would knock off the middle grade of gas, blend Ethyl and third grade to fit all compression ratios and purses.

Each station would have the two pumps side by side (eventually there would be a single automatic proportioning pump) and a chart showing the recommended blend for each make and year.

Doing away with the middle pump might eventually simplify and cut the costs of gasoline marketing; it now

presents complications. Regular gasoline is the big seller. Advertising is concentrated on this grade. It is here, also, that competition is the hottest. Oil companies are pushing up the octane numbers constantly in an effort to get the jump on the rest.

This octane competition has caused to be built many high and expensive cracking towers in which the gasoline molecule is whittled to the proper proportions for pushing pistons.

Like Colonel Colt, the lead compounds make oil men equal. Little companies can run up an octane number side by side with big companies.

Alarmed by Chain Bankruptcies, Landlords Sound the Tocsin

RECOVERING from their first shock of surprise, the chain stores' landlords have set up a wild clamor of protest against the growing train of bankruptcies among their tenants (*BW—Oct5'32*), whose sole result seems to be the readjustment—downward, of course—of rents. First move has been to sound the tocsin in an effort to arouse building security holders, banks, and insurance companies to the danger presented by what *Skyscraper Management*, organ of the National Association of Building Owners and Managers, calls "the juggernaut of voluntary bankruptcy thundering down on commercial buildings."

The "juggernaut," whose thundering became most evident when United Cigar Stores Co. of America started its complicated bankruptcy proceedings (*BW—Jun1,Sep7'32*), will henceforth meet organized opposition. The National Association of Real Estate Boards, acting through its brokers' division, has set up a committee to consider and act on "one of the gravest emergencies which has ever confronted the owner of business properties." The building owners' association is preparing to defend its members against what it sees as a transformation in the bankruptcy procedure "comparable to that which changed the sociable, humane Dr. Jekyll to the sly, murderous Mr. Hyde."

First recommendations of the realtors' committee, headed by Frank H. Slosson of Chicago, who is also vice-president of the building owners' organization, are:

(1) That where chain store bankruptcy proceedings are going on with a new corporation being formed to take over old leases, no revised lease be drawn for a period longer than 1 year;

(2) That the minimum guarantee in the case of percentage leases revised under such circumstances be not less than 75% of the existing rate.

(3) That owners who are being pressed for decision—which means for rent cuts—act carefully and cautiously.

Meanwhile, on the more than 150 leases which have been voided since United Cigar Stores went into receivership, the new United Cigar Stores, Delaware Corporation, is said to be making renewals at 40% under old rates.

All this agitation, centering this week on the landlords' efforts to vacate United's bankruptcy proceedings in New York, is likely to bring fresh support to the growing movement for changes in the bankruptcy laws, though it will be support for a change obviously difficult to effect. Lewis B. Ermeling, executive secretary of the National Association of Building Owners and Managers, sees "an unfortunate weakness" in these laws if it is possible "through voluntary petitions in bankruptcy under protection of legal procedure, to disaffirm leases made in good faith."

Landlords Wildly Excited

The landlords are seriously—even hysterically—alarmed. Those who have resisted tenants' efforts to cut rentals below the boom-time levels at which many contracts were made probably have particular reason to be. In any event, they insist that the chains' emphasis on reductions in sales volume tells only part of the story, ignores the owners' difficulties with high taxes and other heavy fixed charges—some of which are, of course, heritages of boom-time building financing. Mr. Ermeling points out that his organization's 1931 Experience Exchange Report shows that of every rental dollar received 17.4¢ goes for taxes and 27.2¢ for strictly operating costs, asserts that wholesale disaffirmance of leases through bankruptcy proceedings will depreciate the investment value of real estate, narrow the margin of security on mortgages, retard improvement in the real estate field. Neutral observers admit the difficulties and dangers of the situation, feel that many revisions are inevitable, welcome organized efforts at adjustment that will avert costly and disturbing reorganizations.

The Business Week

JUNIOR PORTABLE—***Underwood's entrant in the low-priced group has both upper and lower case type, standard keyboard including shift key. It is designed for the home and school market, sells for $34.50, case $2.50 extra***

What Landlords Want In a Percentage Lease

THE current instability of leases, rents, tenants, and sales has stimulated store operators and their landlords to an increased interest in percentage leases (*BW—Feb24,May25'32*). Operators have been urging such leases to bring boom-time rents in line with present income. Landlords signing up new

tenants at depression rates are favorably disposed to a contract that will boost their percentage in line with the recovery.

Landlords have been recently working out rules to protect themselves under percentage leases. Representative of their point of view is the code drawn up by the Ground Floor Rental Committee of the Seattle Association of Building Owners and Managers. High points:

(1) No straight percentage lease should be made for a period longer than 6 months without a recapture clause.

(2) All such leases should require the tenant to carry a stated minimum amount of stock.

(3) The lessee should be required to keep his store open a prescribed minimum number of hours daily, to light his window until a fixed hour each night and, if possible, to devote an agreed percentage of receipts to advertising.

(4). On all percentage leases carrying a minimum rental, the minimum should be approximately 75% of the rate the lessor would expect as straight rent.

(5) Returns deducted from gross business to leave a base on which rent is to be calculated should not include merchandise repossessed because of nonpayment.

(6) Tenants should put up a cash deposit against damage to the premises or default in lease agreements.

How Rents Look To Receivers

THE part played in business fatalities by the increasing burden of rent as sales decline is illustrated by a report on bankruptcies in the Chicago district prepared by Chicago University in cooperation with the Department of Commerce. The period covered is the 18 months of indigo up to July, 1932. In one category of failures, comparisons show the disproportion of rents to gross sales:

Type of Bankrupt	*Ratio of Rent to Sales Total*	*Normal Ratio*
Drug Stores	25%	4.7%
Restaurants	16%	6.2%
Women's Clothing	19%	4.7%
Men's Clothing	27%	4%
Food	13%	5%
Hardware	22.5%	6%
Furniture	26.7%	4%

Overhead for this group ranged from 56% to 117%; normal averages are 19% to 35%.

The survey in the Chicago district proves that firms here are afflicted with the same ailments as other areas. One-third of all concerns scorned to keep any books; another third kept fairly adequate records; only 27% of failed retailers employed adequate bookkeeping systems. Among other prominent causes of bankruptcy were insufficient capital, neighborhood catastrophes such as closed banks and industrial plants, chain competition, and just plain lack of business ability.

The Business Week

SNOW WORKER—*The plow is new equipment for Caterpillar's high-speed road Auto Patrol, putting it into competition with plow-equipped motor trucks. The tire was specially developed for snow work by Firestone*

Retailers Draw the Line On Price Advertising

THE Retail Merchants Association of Los Angeles has negotiated among its members an agreement not to advertise certain items of furniture below specified minimum prices. No attempt is made to set minimums at which non-advertised items may be sold.

The association is carefully watching the experiment in the hope that it may be applied to other lines. Its sponsors believe it to be a corrective for a chaotic state wherein a retailer advertising a given value would open next day's paper to see rivals advertising apparently the same item for a lower price.

Group meetings fixed the minimums. Examples are: Occasional chair, $5.95; inner-spring mattress, $9.95; cotton mattress, $4.95; 9x12 Axminster rug, $16.95; mohair sofa, $32.

County Lines Cross Chain Tax Appeal

CHAIN store operators are going to have another go at the persistent chain store tax. In this corner, the State of Florida. In the other, Louis K. Liggett *et al.* Judges: the robed gentlemen of the United States Supreme Court who have never yet agreed on a decision in this kind of a fight, but whose majority votes have upheld the chain tax laws of Indiana, North Carolina, Mississippi.

Chain store men think Florida may be an easier opponent, hope to uncover a special weakness in its attack. Like other chain-taxing states, it imposed a low license fee for a single store, a higher one for each additional link up to a fixed number, a still higher one for each addition beyond that number progressing thus to $40 a store when—and if—it can find more than 75 under one management in a single Florida county.

The suspected weakness lies in the state's demand for $10 more per store in each license class when a chain operates in more than 1 county. This is something new in chain taxing which Louis K. Liggett *et al.* hope will add weight to their charges of arbitrary and unreasonable discrimination and violation of the Fourteenth Amendment.

Selective Selling Plan Is Ready for Laboratory Test

Automobile industry's straight-line distribution set up as marketing ideal for the tangled textiles

THE mad scramble for business among textile manufacturers has brought about a chaos of competition in the wholesale field which the Wholesale Dry Goods Institute now hopes to untangle (*BW—Jul27'32*). Its proposed device is "selective distribution." This means the selection by manufacturers of one wholesaler to handle his goods in a given district. At present wholesalers carry any number of competitive lines with the result that sales effort is scattered and no one brand receives the attention it deserves.

Wholesalers and manufacturers have come to the point of testing the new idea. Preparations are now on foot to form a set-up of cooperating companies to inaugurate selective distribution in a laboratory district yet to be named. The experiment will be watched with some doubt and much hope.

The importance of the wholesaler increased with the depression. Before that many manufacturers were able to indulge in the luxury of direct selling to retailers. When things went sour, direct selling became too expensive, the manufacturers returned to old channels.

It Was Anybody's Fight

By this time wholesalers were struggling for business and in hopes of increasing volume they took on any number of competing lines. Thus it became possible for a retailer to buy almost any brand of textile goods from any wholesaler. The result: Instead of representing particular manufacturers, wholesalers degenerated into traders. They bought and sold anything on which they thought they could make a profit. Throughout the industry everybody is trying to sell the same thing to everybody else and in so doing is neither giving nor receiving aid to or from any other agency. The industry must continue to suffer (the Institute believes) until "the producer realizes that what he needs are fewer and better distributors — and those distributors placed upon a definite collaborative relationship with his plant." The wholesaler, in turn, should surrender "his present liberty to browse through and nibble here and there over the entire field" and confine himself to "distinctive products and definitely relate himself to those sources of supply."

The test will include such non-competing volume lines as piece goods, home furnishings, domestics, men's furnishings, hosiery, underwear, linens, carpets, linoleums. In the demonstration each manufacturer will, within the prescribed territory, confine distribution to the indicated wholesaler. The wholesaler, in turn, will confine himself to indicated products or non-competing goods. The manufacturers' sales departments will cooperate with the wholesalers. A selected list of retail outlets in the district will be vigorously canvassed. Stores will be furnished promotion plans for participating products.

Plan Must Be Flexible

It is admitted that some lines are so universally used that they could not be limited to such non-competing outlets. Also that some wholesalers operate so extensively that they could not be circumscribed as to territory or brands. Also that some districts (as New York City) are so huge that no one wholesaler could be allowed exclusive sales right therein.

Advantages claimed for the plan are, lower production and selling costs, greater individuality and concentration in sales activity, relief from price-cutting, automatic re-orders for wholesalers. The automobile business, with its straight channels from manufacturer to distributor to dealer to consumer, is held up as the ideal. It is admitted that a bolt of cotton differs from a car, but it is hoped that textiles may capture some of the advantages of orderly selling.

Oversold Goods Come Back Home to Roost

REASONS why drug merchandise comes home to roost with its wholesaler are analyzed by the National Drug Store Survey of the Department of Commerce. Experience of an important wholesaler indicates that the largest single factor in returns is overstocking on the part of the retailer and a remission of the unsold surplus. (Much of this probably is the result of over-eager salesmen's loading the shelves of retailers whose resistance to high-pressure is not sufficiently developed.)

Overstocking accounted for one-third of all this wholesalers' returns. One-fourth of the come-backs was "outdated" merchandise—that is, goods with a date beyond which freshness or effectiveness is not guaranteed. By preventing overstocking in "dated" and other goods this wholesaler could cut his returns in half. Other reasons for returns in order of importance were errors in order-filling, sending of unordered merchandise, merchandise received in unsalable condition, errors in billing. Returned goods for this wholesaler amounted to 2.5% of gross sales.

More New Products Entice Old Dollars

ALUMINUM pots and pans with dull-finish black bottoms are now on the market. They heat quicker, stay hot on a lower flame, thus saving fuel. Wear-Ever is the maker.

A spark plug cleaner developed by AC and sold for $10 to garages, service stations, works off the air line, uses a new cleaning compound which removes the oily carbon film without injuring the finish of the porcelain insulator. At 5¢ a plug, the service is profitable; more important, it gets the plugs out of the car, shows up cracked and "shot" plugs, breaks down sales-resistance, helps sell replacements.

Federal Motor Truck Co. announces an addition to the line for house-to-house service. When driven standing, a special pedal, with a vacuum booster, applies brakes and locks them, throws out clutch, and throttles down engine. On starting up, the same mechanism reverses the process. Oversize generator and battery charge even while running with headlights on.

To hold present markets, gain new ones, anthracite producers are working out better burners for their product. Most advanced, is the new house-heating coal range developed by the research department of Jeddo-Highland Coal Co.

According to Donald Markle, president, the average 6-room house can be heated, including fuel for cooking and hot water, with 6 tons of coal a year.

The new range is insulated, uses heat ordinarily wasted to warm the house through small outlets in each room. It has two fire boxes, one for cooking and house-heating in ordinary weather, both to be used in severe weather. Both have

electrically operated forced drafts for quick starting. Humidification of the warm air and distribution by forced draft are provided for. So is automatic removal of ashes.

The stove will be on the market in a few months, will sell, including installation of the complete heating system, for slightly more than the cost of an ordinary kitchen range.

Electric Eye Engraves Plates Swiftly, Cheaply

ELECTRICAL engineers, master printers, publishers saw a demonstration in New York this week of 14 uses for the electric eye in the printing arts. These included automatic type-setting from typewritten copy, automatic control of printing register and of trimming, automatic stops for web presses when paper breaks, automatic matching of colors, safety-first devices.

But they were most astounded by Walter Howey's demonstration of his machine for making photo-engravings at incredible speed, without the use of acid, and at a cost said to be 1¢ a square inch for black, 5¢ for 3-color plates.

The electric eye scans a photograph or painting held on a cylinder. Variations of current due to light and dark graduations of the picture are amplified to ⅓ hp., which power drives an engraver's tool that digs into a zinc plate the furrows that catch more or less ink and thus reproduce the original.

The process has had a month's actual use in a large newspaper plant. Results as shown in the newspaper are uneven, some of them as good as halftones, some not so good. Costs in that particular plant were about one-fifth the cost of halftones. Speed attained especially interested newspapermen—about 10 sq. in. per minute. The bulk of newspaper 1-column cuts are no bigger than that.

Walter Howey is a noted newspaper man with a strong mechanical bent. He became interested in electronics as a result of interviewing Lee De Forest.

New Storage Battery's Tests Excite Experts

STORAGE-BATTERY-POWERED delivery trucks offer certain advantages—simplicity of operation, short wheelbase, no cost when standing still, as a city delivery truck does more than half the time. Disadvantages so far have been excessive ratio of weight to power, too short radius without recharging, and, worst of all, slow charging rate. Most storage batteries must spend at least one-third as much time on charge as on discharge.

Could these handicaps be eliminated, electrical engineers envision great possibilities for the storage battery in numerous applications, but particularly in transportation. That is why they are beginning to pay keen attention to the battery developed in Ireland by Dr. James Drumm.

First reports of the new battery were read skeptically, but 7 months of demonstration on the Great Southern Railway has earned respect. The railway has been operating a two-car train powered with the Drumm battery, and is so well pleased it has put a second train into operation. The new train is covering 178 miles a day, 80 miles on one charge. The train accelerates from standstill to 20 m.p.h. in 25 seconds; makes 60 m.p.h.; uses 120 hp. motors.

The most extraordinary feature is the rate at which the battery can be charged. Reduced to 100 ampere hour battery equivalent, it can be charged in 40 minutes as against 8 hours for the lead battery familiar to Americans. It can, indeed, be charged in 10 minutes, if made of heavier elements. The batteries on the Great Southern train are charged at 900 amperes per hour at 650 volts d.c. Low costs are claimed, although no figures have been given out, and light weight also is a feature.

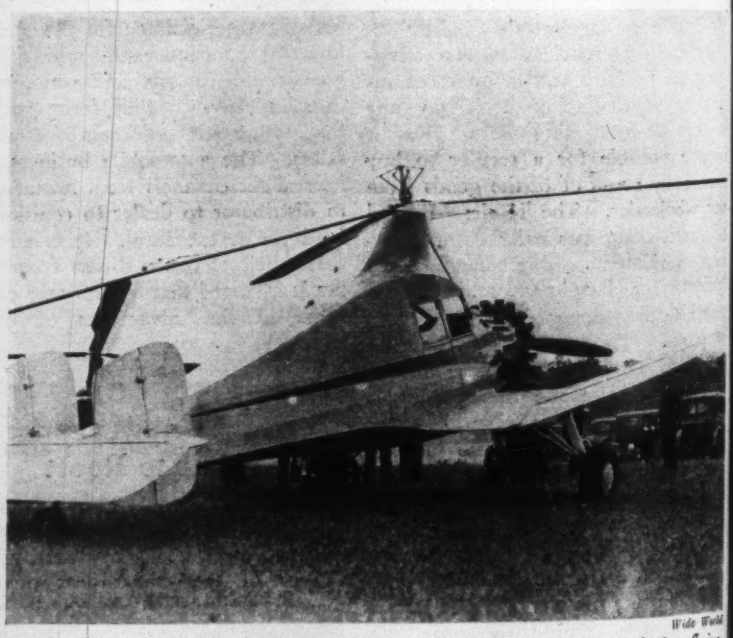
Synthetic Rubber's Twin Used to Fight Corrosion

DUPONT'S synthetic rubber, Duprene, has attracted considerable notice. Much less attention has been caught by Duprene's twin, a synthetic drying oil that goes under the trade name of S-D-O-Base, yet some industrial chemists believe S-D-O more important.

Acetylene, passed into an aqueous solution of cuprous and ammonium chloride, gives two principal reactions. One yields Duprene, which is much more resistant to the deteriorating action of oils than is natural rubber, while it is as tough and elastic. Principal applications so far are for hose, gaskets, and packings used for conveying oils or solvents. Examples: tank cars; automobile motor hose and gaskets.

The other reaction yields S-D-O-Base, a resinous oil that, exposed to light and air, hardens into a coating that is impervious to all corrosive agents save hot, concentrated nitric and sulphuric acids, and hydrogen peroxide. Wood, concrete, any surface except glass and enamel can be coated. It cannot be used, however, where there is flexing, for the coating is brittle. From coating concrete floors to lining tanks, pipes, and containers, the applications are obvious and numerous.

Its production, however, is automatically limited by the market obtainable for its twin, Duprene.



Wide World

WINDMILL COUPÉ—*American autogyros have been open cockpit affairs, carrying but 2 persons. This Pitcairn has a closed cabin for 4 passengers, double rudders, streamlined rotor prop and a 400 hp. Wright motor*

Again Washington Hears R.C.A. Will Sign a Consent Decree

Reports anti-trust suit will end in voluntary redistribution of patents to original owners

ONCE before, the Radio Corporation of America was reported on the verge of making peace with the Department of Justice. Even the terms of the consent decree were outlined. At the last minute, R.C.A. reconsidered; said conditions demanded for dropping prosecution were too onerous.

Again, Washington hears the anti-trust suit against R.C.A. never will come to trial; will end in a consent decree finally and forever divorcing A.T.&T., General Electric, and Westinghouse. Set for trial Oct. 10, at the last minute the case was postponed to Nov. 15.

Rougher Terms Now?

The radio industry hears that terms now offered by the government are stiffer than ever; it insists that the fundamental pooling of patents come to an end, that the 3 great participants take back their patents, now R.C.A.'s greatest asset.

R.C.A. would be left a manufacturer of radio receiving sets, phonographs, and tubes. Through R-K-O., it is a producer and exhibitor of motion pictures. It owns National Broadcasting Co. Then, of course, there is its original business of conducting communications. In 1924, this was 64% of its business. The dollar volume of receipts from message traffic has increased 127% since then, but in 1928, the last year for which figures are available, it was only 6% of R.C.A.'s business.

A Bit of History

R.C.A. was founded in response to government appeal in 1919. The story goes that Franklin D. Roosevelt, then Assistant Secretary of the Navy, called to President Wilson's attention the fact that General Electric was about to sell the Alexanderson patents, then basic in the field of wireless communication, to the Marconi interests. This meant British domination of the field. President Wilson sent Admiral Bullard to see General Electric with the plea that the United States be kept independent of such domination. The Admiral exerted his eloquence for hours before the board of General Electric. At the end Owen D. Young tore up the contract with the Marconi interests, which was ready for signature.

Alexanderson alternators have gone their way into history. Transmission of radio messages now is by tubes. But as each new development in the art appeared, R.C.A.'s dominance became greater. Broadcasting became vastly bigger than point-to-point communication. Sound pictures arrived. The electronic tube became an important tool of industry, and is becoming more important daily. A.T.&T., General Electric, Westinghouse, each had vital patents. It was impossible to manufacture a radio tube, a receiving set, a sound amplifying system, or a sound film without using their patents, and obviously it was more convenient for licensees to deal with one source than with 3. R.C.A. was custodian of all the patents; a large part of its revenues were from licenses.

Independents Yelled

But, so independents allege, R.C.A. became arrogant in its power. License conditions became severe, royalties high. There was loud complaint. Finally the government took heed, and filed anti-trust suit.

Meanwhile, independents likewise sued, notably DeForest. DeForest battled through the courts, knocked out the Langmuir patents, one of the 2 or 3 basic patents for the manufacture of multiple-element tubes. DeForest knocked out also, the famous Clause 9 in R.C.A.'s license to setmakers stipulating that they use none but R.C.A. tubes. Settling up with 20-odd licensees after that decision cost R.C.A. a little money; more important, it marked the end of an epoch.

Fidgety Participants

A.T.&T. got restive under all this, gave notice it would pull out. General Motors got in and out again. United Fruit, which had joined up early, having a certain interest in radio communication, particularly in Central and South American areas, likewise got tired.

Meanwhile, too, the depression. It walloped the industry, and battered R.C.A. stocks, speculative favorites of the boom, most unmercifully. On its maddest day, R.C.A. common sold for 114¾; on the blackest day of 1932, it went for 2½. Preferred B's range, 82½–3⅜. Preferred A, a 7% cumulative, 60 at the peak, 10 at the low.

Such things take the fight out of people.

R.C.A.'s greatest strength was likewise its greatest element of weakness, its reliance on the other companies. The biggest problem that confronts the negotiators now is how to remove this support and leave R.C.A. strong enough to carry its financial set-up. Of course, it will still have Victor, N.B.C., Photophone, R-K-O. The story might have been different if R.C.A. had been brought up by its ambitious parents to make its own way in the world instead of drawing on G-E's treasury when, for instance, it wanted to branch out into the movie and vaudeville business.

The separation that may soon be complete has been gradual. International Telephone & Telegraph never got in. The government was really stubborn about that, wouldn't allow a merger of cable and wireless. United Fruit and then General Motors dropped out and negotiations opened in May, 1931, to eliminate Westinghouse which apparently failed, although carried on until last spring, during which time the government filed a supplemental suit.

Dollar in the Slot Buys Service on Radio Set

WITH its right eye firmly focussed on the market among the traveling public, International Radio Corp., Ann Arbor, Mich., foresaw a repair and service problem for itinerant owners of its new portable radio set. It solved the difficulty ingeniously.

The set is sealed in a Bakelite cabinet. If at any time within a year from date of purchase the set goes wrong, the owner is to tuck a dollar bill through a slot in the cabinet, and mail the set, seal unbroken, to the factory. It will be returned in first-class condition.

The set, by the way, is the size of a 50-cigar box, weighs 5 lb., operates from any 110-volt socket, whether a.c., any cycle, or d.c.

Balky States Must Honor I.C.C. Order

NINE balky states have been required by the Interstate Commerce Commission to let the railroads collect from their intrastate traffic the freight rate surcharges that have been levied on interstate traffic since last January. Discrimination against interstate commerce is a

cardinal sin in the eyes of the I.C.C. but its finding will contribute very little to bolstering the disappointing yield from the rate surcharges, as it is estimated that, all told, the intrastate total would amount to only $6.5 million.

As only 3 states—Kentucky, Montana and Utah—have refused to apply the surcharges to any commodities shipped intrastate, the revenue of which the railroads have been deprived is a very small figure. The commission itself has allowed exceptions to be made in intrastate commerce for commodities which pay surcharge when shipped interstate.

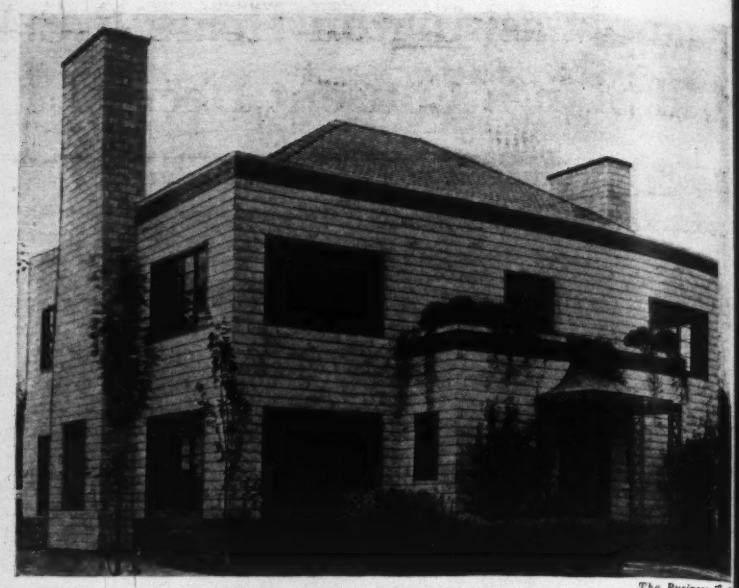
Pullman Excursion Proved Effective Bait

FIRST bargain rail-Pullman excursion took place in April, 1931—New York to Niagara Falls. During the 8½ months left of the year after the roads and the Pullman Co. had agreed to try this new bait on their traffic hooks there were 104 such excursions, loading 18,143 passengers into 618 cars.

This year the carriers have found the fishing generally worse than ever, yet in the first 8½ months 224 Pullman excursions drew 37,210 passengers into 1,416 cars. *Pullman News* notes jubilantly that this 105% increase in customers brought into these cars approximately 3 times the number carried per car on regular service.

Sagacious elaborations of the excursion idea have helped. Besides the week end trips from large cities to points of civic or historic interest, there have been bargain opportunities to make longer journeys with a choice of roads, a "Coast to Coast" excursion with stopover privileges, even eclipse excursions.

And if it's all just price-cutting after all, the Pullman Co. remembers that the excursion revenue per car has been higher than ordinary revenue, hopes that its sampling offer tried out by new customers may show results on ordinary runs when times are better.



The Business Week

STEEL HOUSE NO. 1—*This one uses modern building materials, traditional building practice. Sponsored by Ferro-Enamel Corp., it features porcelain enameled shingles on walls and roof, even porcelain enameled baseboards, dishwasher and sink, all permanent in color, and washable*

Rail Wage and Rate Questions Are Laid Up on a Siding

AFTER chugging furiously back and forth over well-worn lines of argument, the railroad debate on rates and the railroad dispute over wages have both been headed into a siding where they will lie until after election. Politics is believed to have supplied some of the pressure that threw the switch.

The wage problem that rail executives boldly set out to solve with a 20% cut to replace the temporary 10% deduction from union scales which expires next Feb. 1 (*BW—Sep14,28'32*) has come down to the question of whether the workers will consent to continue 10% down until a permanent agreement is reached. Union leaders are now expected to canvass their followers' opinions on such an extension before their executives' association meets with the managements' committee of 9 on Dec. 10. The operators have made a guarantee against reversion to the full scale on Feb. 1 a condition of their acceptance of President Hoover's suggestion that action on wages be postponed until Jan. 1. They are willing to keep the rail wage controversy out of the pre-election debates, if that will help, and to wait and see what the recovery can do to improve their position before the end of the year; but they have no intention of being caught helplessly in the slow machinery of the Railway Labor Act when Feb. 1 comes around.

The question of whether an extension shall be sought on the freight surcharges granted by the I.C.C. last year (*BW—Oct24'31*) and due to expire on March 1 has also been deferred until the Association of Railroad Executives holds its annual meeting in New York on or about Nov. 11. Since the surcharges were granted in a disappointing 3% response to their request for a 15% general freight rate increase, the roads have been pooling the revenues produced and distributing them as loans. But, instead of yielding the anticipated $116 millions in the 14-month period of application, they are apparently going to provide little more than $70 millions and some of the roads, saying that they have only served to divert traffic to the trucks, now argue for increases on a more selective basis. However, the carriers are unlikely to turn down even a little relief unless they can be sure of getting something better.

Eyes on Mr. Coolidge

Bystanders think that the executives may be talking with an eye on Mr. Coolidge. His National Transportation Committee (*BW—Oct5'32*) which is in a position to add highly effective window-dressing to the railroad's plea for a new deal all around should hand in its report shortly after the New Year. If Congress is persuaded to show the I.C.C. the error of its ways, to lighten the burden of regulation on the trains and increase that on the trucks, the whole picture may be changed.

Uncle Sam Is Doing About All The New Banking There Is

In 9 months, he has raised 3 times as much new capital as all other operators

UNCLE SAM now runs the biggest bank in the world. The federal government has loans and investments outstanding of over $13½ billions, or only about $5½ billions less than the loans and investments of all the member banks of the Federal Reserve System. Against these loans and investments it carries a security portfolio larger and more diversified than that of any investment trust, for it includes the obligations of foreign governments, shipping concerns, railroads, banks, construction enterprises, as well as paper covering agricultural commodities, railroad equipment, war supplies, and what not. Offsetting these assets it has liabilities which at the moment amount to over $20 billions.

Of more immediate importance is the fact that Uncle Sam's bank is apparently doing the bulk of all the new banking business being done in this country. It is making the larger part of all the investments and loans that are being made in the United States today. The extent to which the financial operations of the federal government now dominate the banking business in this country can be seen from the following comparisons:

In the first 9 months of this year the Treasury borrowed $6,448 millions by selling securities. Of this amount $3,589 millions went to take up other security issues and $2,859 millions constituted new capital raised.

In contrast to this, the total amount of new capital raised through the security market and banking system of this country for domestic and foreign corporations, foreign governments, farm loan institutions, states and municipalities, during the past 9 months amounted to $1,365 millions, of which $926 millions was new capital and the rest for refunding purposes. In short, the federal government raised 5 times as much total capital and 3 times as much new capital as was raised for all other purposes in the United States in this period. The amount of new capital raised for domestic corporate purposes alone was only $255 millions, or less than one-tenth the amount of new capital raised by the federal government. Of this new capital for business purposes almost all—$233 millions—was for public utilities and railroads. This bare quarter billion of new capital that went into industry during the first 9 months of this year contrasts with over $1½ billions in the corresponding period of even the poor year 1931, and the nearly $4½ billions raised in 1930.

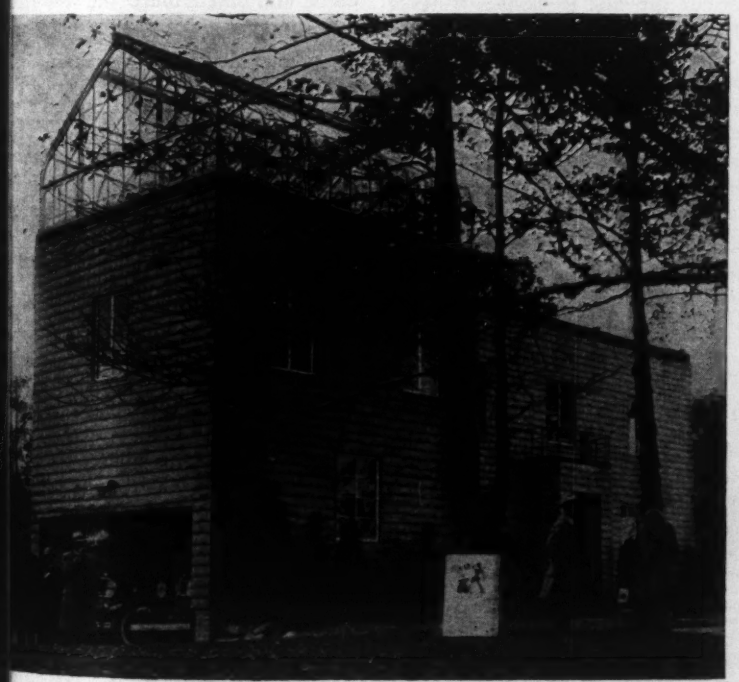
Bank Decline Offset

In addition to this decline in the amount of capital made available to business through the regular investment machinery, amounting to about $1,370 millions, the commercial loans of reporting member banks have declined about $1,200 millions since the beginning of the year. In other words the amount of new money borrowed by the federal government so far this year, and spent or loaned by it to railroads, banks, construction enterprises, agriculture, has little more than offset the decline in credit extended by the private banking system.

But the catch in this picture of Uncle Sam doing the country's banking business for it is that most of the new money the federal government borrowed to loan to business again came from the banks anyway. Private investors were not merely lending their money to the government and withholding it from industry. They were not doing much of either, but instead were leaving their money in the banks and letting the banks lend it to the government. Of the total of new securities issued by the Treasury in the first 9 months of 1932 approximately $2,200 millions seems to have been absorbed by the member banks and the Federal Reserve Banks. A large part of the rest was doubtless absorbed by other institutional investors, since most of the securities issued were short term and with very low yields not attractive to individual investors.

Amazing Interest Rate

Thus the banks have been carrying the bulk of the federal government's banking business after all. The demand for government securities for this purpose has been so keen on the part of banks seeking to employ their idle resources that yield rates on short-term issues have fallen as low as 0.13% for the latest Treasury bill issue. Competition for the new issues has also devel-



Wide World

STEEL HOUSE NO. 2—*Also in Cleveland, also using Ferro-Enameled shingles, it differs radically in design. Sponsored by American Rolling Mills, it features frameless welded-steel construction, was built of shop-assembled insulated wall sections welded together on the lot*

oped various profitable speculative practices among dealers and individuals when they are announced. Old issues to be refunded are usually accumulated in advance by banks or dealers, even at a slight premium because their possession insures securing a full allotment of the new issues in exchange. The latter usually go promptly to a larger premium, so that there is a quick profit involved, often without any actual investment. With new Treasury issues forthcoming in quick succession these days, various forms of this so-called "joy-riding" in them are common practice.

Member banks themselves are taking advantage of the constant stream of Treasury issues also to pay off their borrowing either from the Reserve Banks or the R.F.C. by subscribing heavily to the new issues, pledging other securities against the Treasury deposits thus created, and then selling the Treasury securities in the market or to other banks.

One helpful consequence of this practice has been to assist in redistribution of excess reserves from the larger city banks to smaller out-of-town institutions.

Postal Depositors Are Going Back to the Banks

UNCLE SAM, banker, has just announced that when he totaled up his postal savings deposits on Sept. 30, they amounted to $854,767,262 and that this was an increase of only $9,913,492 over the August 31 figure with some states showing an actual decline. If Uncle Sam were like other bankers he would be worried. For a year ago he reported a September increase of $43 millions and had customers clamoring for a rise in the $2,500 limit on such deposits, while others were taking the full $5,000 maximum allowable on postal savings bonds and trying to lift the lid there, too (*BW—Oct21'31*).

Instead of worrying, the Post Office Department is rubbing its hands with delight. Instead of being less thrifty, its banking customers are just less frightened. The big increases of a year ago —and of other months since—were repercussions from the widespread commercial bank failures of those months and were largest in areas where such failures were heaviest. Current declines in the rate of increase are accepted as direct evidence of the return of confidence in the commercial banks.

September's figures are particularly encouraging. Its increase of less than $10 millions in postal deposits compares with gains for the previous 6 months amounting to $18,826,787 in August, to $42,802,919 in July and $49,697,282 in June (when Chicago banking failures were disturbing the peace) to $19,660,254 in May, $16,586,783 in April and $13,652,788 in March.

Life Insurance Decline Slowed Up in September

FEELING a lull in the battle against immediate adversities, more of us are thinking about our defences against future ones. The September total of new life insurance written in the United States crept up to within 11.1% of last September's compared with a decline of 15.4% for the first 9 months of this year. No month since February (8.8% below February, 1931) has shown as small a drop.

Reports from the Association of Life Insurance Presidents cover 44 companies writing 81% of all our life insurance outstanding in legal reserve companies. They show that group insurance policies contributed heavily to the pick-up. Compared with September, 1931, figures, last month's total of new ordinary life was off 16.2%, industrial insurance dropped 12.6%. Declines for the first 9 months were respectively 17.7% and 7.3%. But under the impetus of several particularly juicy group policies, September group insurance went ahead 63.6% against a January-August drop of 22.6%. One sales argument: Group insurance offers employers a convenient means of "doing something for the workers" at a time when most of the latter are talking about wage cuts and some about unemployment insurance.

New Decisions Clear Up Tax Disputes

UNSUNG and unwept by the general public, the tax experts of the Bureau of Internal Revenue are still busily grinding out decisions necessary to interpret the will of Congress and the wisdom of the Treasury to all interests affected by the 1932 tax bill. Recent rulings of note exempt electric refrigerator makers from a tax on repair parts, free manufacturers from an impost on dealers' remittances for local advertising help.

Refrigerators sold under a guarantee sometimes break down, necessitating installation of new parts. Manufacturers have contended that there should be no tax on such replacements for refrigerators sold since the revenue law went into effect (*BW—Aug17'32*). The Bureau has finally agreed with them after a long and confused debate.

Manufacturers who sell to dealers frequently offer local advertising service to boost dealer sales of their products and add an advertising charge to their bills. The Revenue Bureau has ruled that such charges may be excluded from the selling price on which the tax is computed—provided the value of the local advertising service at least equals the amount collected from the dealer. It's up to the manufacturer to prove that it does.

Another ruling stirs fond memories. Manhattan and Martini cocktails, benedictine, vermouth, chartreuse, kümmel, crême d'apricot and de cerises are tax-exempt. They are not "unfermented fruit juices" within the meaning of the law. They're not what you think they are either. The Bureau is referring to non-alcoholic inheritors of fine old names.

Higher Tobacco Prices Make Up for Crop Cut

THANKS to the freeze last spring, followed by the ravages of the tobacco beetle and blue mold in the bright belt, the short crop of flue-cured tobacco planted by rebellious farmers has rapidly advanced in price since the markets first opened, reaching averages double last year's prices particularly in low grades in heavy demand by makers of 10¢ brands of cigarettes.

The foreign demand, with which the flue-cured tobacco is a favorite, has revived with the price, or vice versa, and the farmers' faith in the golden weed is restored. High prices will help to compensate them for the reduction of almost one-half in the crop to 350 million lb. from last year's 665 millions.

Higher prices for a straight cash crop are lifting the general purchasing power in Georgia and the Carolinas. Fertilizer manufacturers will benefit. No tobacco farmer would dream of raising the weed without fertilizer but this year he applied less than usual.

Short crops of types other than flue-cured also are forecast. The burley crop is estimated at 338 million lb. against 456 millions last year; dark-fired at 129 millions against 191 millions, and southern Maryland's crop, prized for cigarettes, at 26 million lb. as compared with 32 millions.

Ship by Elevator!

Whatever your product..Wherever your market..

the flow of merchandise in and out of your premises will be easier, more continuous, with less handling, less cost and less time than in any other location in Manhattan..IF you are a tenant of the

PORT AUTHORITY COMMERCE BUILDING

111 Eighth Avenue

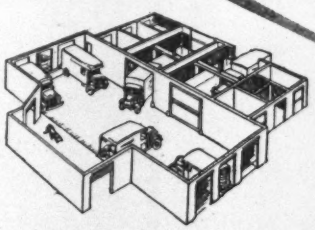
Occupying the entire block, 8th to 9th Aves., 15th to 16th Streets, Manhattan

The building that offers perfect accommodation for every phase of business . . administration, manufacturing, sales, display, packing, shipping and local distribution

For Metropolitan distribution you will load your trucks in the truck lobbies on your own floor..24 vehicles at a time will find berths in these lobbies..and use any of the four mammoth truck elevators, each of 40,000 lbs. capacity.

For out of town freight shipments you will use a hand-truck and one of twelve package elevators running direct from your premises to the UNION INLAND FREIGHT STATION occupying the ground floor and basement of the building.

RENTING IS ACTIVE . . .
APPLY NOW FOR DETAILED INFORMATION



Arrangement of truck lobby, truck and package elevators. Two such groups serve each floor. Ample high speed passenger service is also provided

Ready for Occupancy January, 1933

THE PORT OF NEW YORK AUTHORITY

Real Estate Section

84 EIGHTH AVENUE **NEW YORK CITY**

TO LEND

to Home Owners—

Johns-Manville makes it possible for you to have needed repair and modernization work done NOW—at a time when labor and materials are the lowest in years.

IF you're like thousands of other home owners today, you've been delaying and putting off important work that should be done to your home. Mostly because you feel you can't afford it right now.

Certain necessary repairs, for instance. Like the roof. Maybe it's starting to leak in places. Then a new roof before another winter is nothing short of a necessity. Or maybe it just needs repairing. That's equally important.

And then there's the question of insulation. You know it's a wise investment. You realize it would cut fuel bills radically and make the house much more comfortable all year 'round but somehow—well, you just haven't done anything about it.

And, no doubt, there are certain modern improvements, too, that you have had in mind. Like a recreation room in the basement. Or a maid's room in the attic. Or perhaps, in your particular case, it's a tile bathroom. On the other hand, maybe it's a tile kitchen that's most important.

Whatever the separate items may be, the chances are that there is necessary repair and improvement work that should be done *at once*. If you only had the money!

• • •

Well, here's good news. *Johns-Manville will lend you the money.* Makes available a sum of one million dollars ($1,000,000.00) for your immediate use. At a time when labor and materials are the lowest in years. At a time when your costs in having this work done would be at a minimum.

As a concrete example, notice the figures below. Here is the actual cost for a recent job. These persons got all the improvements listed *for only $63.95 down*. Johns-Manville financed the balance through this liberal loan plan. The purchasers paid only a small sum each month.

• • •

Johns-Manville will be glad to do the same for you if you act promptly. This offer, of course, applies only to repair and modernization work where J-M products are used.

If you are interested, address Johns-Manville, 292 Madison Ave., New York City. We will gladly supply the name of your J-M dealer, authorized to extend the privileges of this plan.

All these improvements on this particular job cost only $63.95 down* (*the balance on credit*)

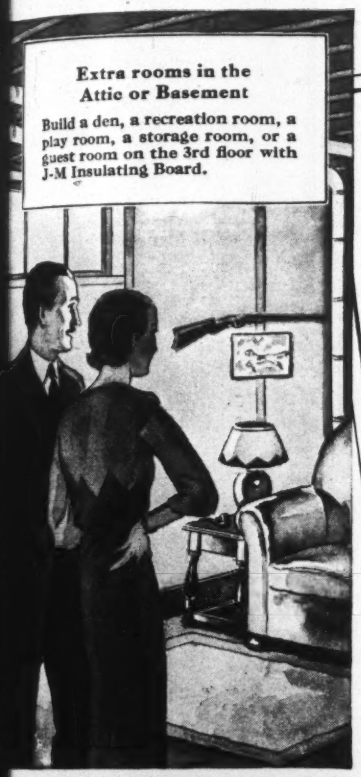
	Down Payment
KITCHEN—13' x 10'—J-M Wainscoting. Cost $112.00	$11.20
RECREATION ROOM—1100 sq. ft. J-M Insulating Board. Cost $92.00 . .	9.20
NEW ROOF—J-M Asbestos Shingles (Dutch Lap). 13 squares. Cost $226.50 . .	22.65
INSULATION—J-M Type A—blown between attic floor and second-floor ceiling. 943 sq. ft. Cost $132.00	13.20
BATHROOM—5' x 8'—J-M Wainscoting. Cost $77.00	7.70
Total down payment	$63.95

*(Naturally these costs may vary slightly depending upon labor costs in various localities. The local J-M Dealer will gladly estimate your particular needs.)

Johns-Manville

Controls
HEAT, COLD, SOUND, MOTION
Protects against
FIRE AND WEATHER

$1,000,000.00



Extra rooms in the Attic or Basement

Build a den, a recreation room, a play room, a storage room, or a guest room on the 3rd floor with J-M Insulating Board.

MAKE THESE IMPROVEMENTS NOW

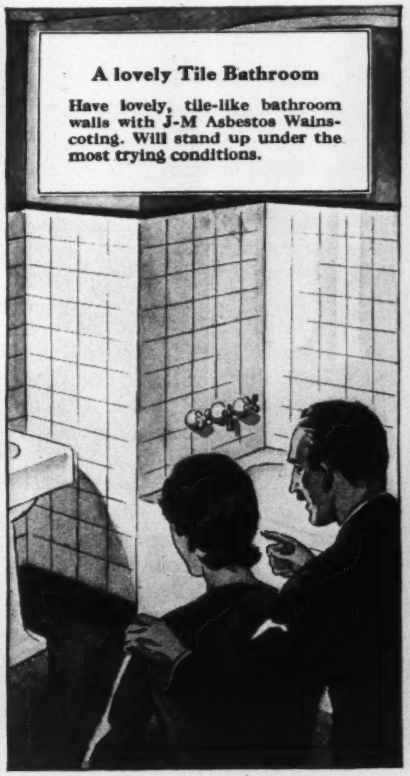
- Extra Rooms in Attic and Basement
- Fireproof and Permanent Roof
- Roofing Repairs
- Shingle Side Walls
- Insulation in attic
- Insulation in whole house
- Tile Bathroom
- Tile Kitchen
- General Repairs and Improvements

Have a modern, colorful Tile Kitchen

Use J-M Asbestos Wainscoting. It is the new colorful, permanent wall material having all the advantages of tile.

Put on a genuine J-M Asbestos Shingle Roof

J-M Asbestos Shingles are the ideal roofing material—permanent, fireproof, colorful. Available in a wide range of colors, styles and prices.

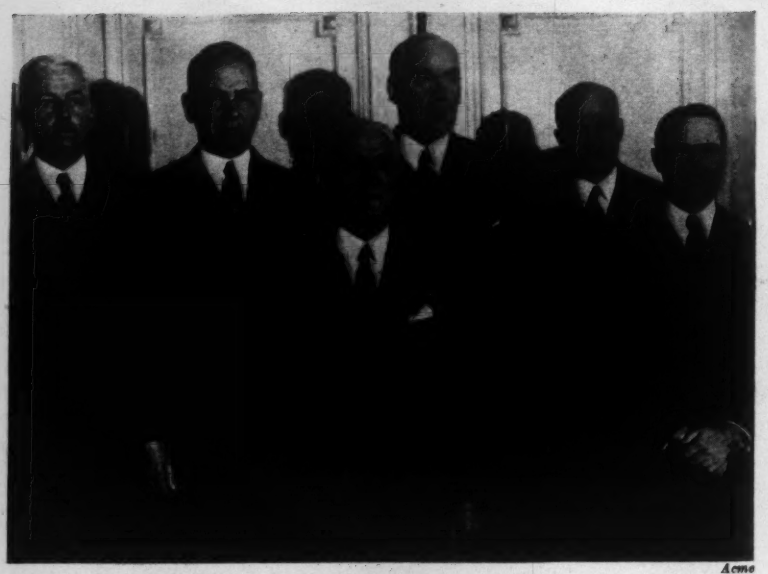


A lovely Tile Bathroom

Have lovely, tile-like bathroom walls with J-M Asbestos Wainscoting. Will stand up under the most trying conditions.

Insulate your Home against Heat and Cold

J-M Home Insulation cuts fuel bills 25%—35%—makes your home 8° to 15° cooler in the summer. A thick, permanent insulation.



Acme

MODERNIZERS—*Competition during recovery will be more cruel than ever before. The defense is the most modern cost-cutting equipment. It is not too early to prepare. This is part of the message of the rehabilitation committee. Philadelphia heard the story from: (left to right) Charles Brinkley, president, American Pulley Co.; A. W. Robertson, chairman, Westinghouse, national head of the committee; Philip H. Gadsden, president, Philadelphia Chamber of Commerce; John H. Zimmerman, president, United Gas Improvement Co.; George Houston, president, Baldwin Locomotive; Malcolm Muir, president, McGraw-Hill Publishing Co.*

It's Old Home Loan Week On the Recovery Calendar

Which brings up the troublesome question of what Washington is going to do about farm mortgages

BIG event this week in the progress of Administration economic measures was the opening of the 12 Home Loan Banks for business, with the statement by Franklin Fort, head of the system, reassuring all Americans harassed by the mortgage on the old homestead that "foreclosure of sound home mortgages should cease," and thereby making the old homesteaders wonder whether their mortgages are sound. Interest in the question, of the keenest and most concrete sort, was indicated by the rush of individual applicants for loans, even though the system is not intended to help individual home owners directly, but only through banks, building loan associations, and life insurance companies, which are now able to borrow on the mortgages which they hold.

It is expected that by thus aiding mortgagees the difficulties of mortgagors will be lightened and perhaps more persons will be stimulated to become mortgagors. On the basis of the $134 millions of capital, only part of which has so far been subscribed by the mortgagee institutions, the latter will be able to borrow $1½ billions, and this amount will provide a kind of revolving loan fund to render liquid approximately $13½ billions worth of home mortgages held by the benefiting institutions.

Opening of the Home Loan Banks was greeted with harsh words by speakers at the annual convention of the Mortgage Bankers' Association, which has opposed this legislation from the outset, as it has both the Federal and Joint Stock Land Banks. Government aid has now been extended into the urban real estate field for the first time, and the difficulties which are being experienced with the results of government-aided mortgage financing in the farm real estate field have made the mortgage bankers doubtful of the success of this further venture.

In connection with the dread word mortgage, a great deal of guessing is going round in Washington and elsewhere as to what the Hoover Administration is going to do for the farmers on this score. The President's Des Moines proposals were rather vague, but it is understood that, if encouraged by election, some scheme will be brought forward by the Administration for absorption of the Joint Stock Land Banks by the Federal Land Banks, if the Joint Stocks are willing. If not, the R.F.C. will be urged to increase its aid to the latter by liberal loans. This may be coupled with some offer of guarantee of Federal Land Bank bonds which will permit them to be sold at low coupon and thus ease farm mortgage rates. The Hoover scheme is to re-finance only delinquent farm mortgages, which will be the neatest trick of the year and will cause a lot of hard feeling in the hinterland if it succeeds.

8 Little Jobs

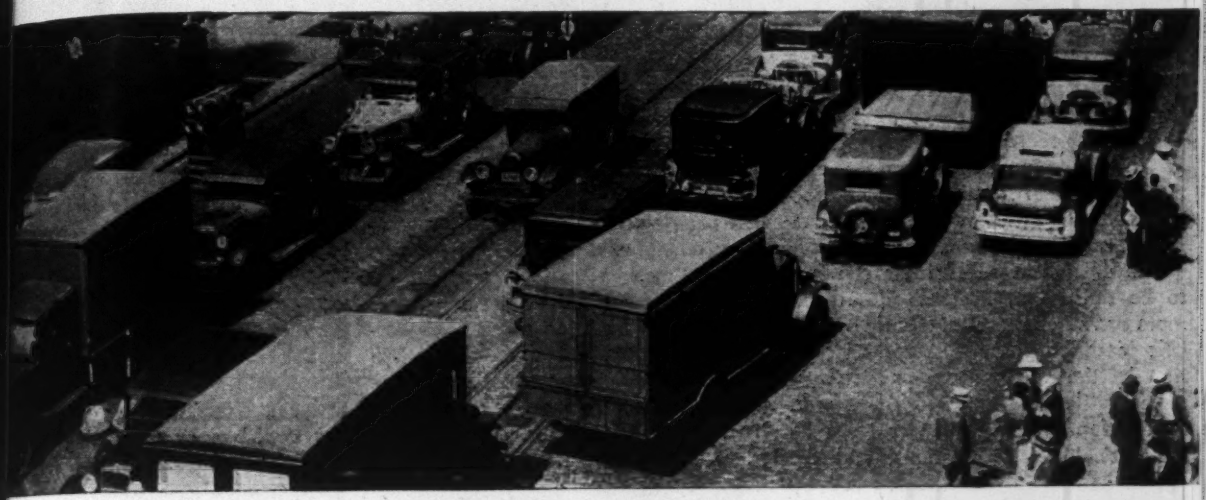
The R.F.C. brought forth a litter of little self-liquidating construction jobs —8 of them, totaling nearly $3 millions in the amount loaned. All but one were waterworks, and they were more widely distributed geographically than the earlier awards of the corporation, ranging from Seattle through Illinois to Ohio, Kentucky, and North Carolina. The exception was a toll bridge across the Mississippi, from Savannah (Ill.) to Sabula (Ia.), which calls to mind the curious simultaneous reversal of fiscal form in Missouri, where the state is floating a bond issue to buy 3 toll bridges from their private owners and convert them into non-self-liquidating unproductive and generally reprehensible public propositions.

Employment Results

The latest R.F.C. construction loans are expected to employ 2,822 men for from 2 to 18 months. In addition, the I.C.C. authorized a $3-million loan to the B.&O. for make-work on car and engine rebuilding and repair, to employ 1,500 for 6 months. Railroad construction loans so far made are, besides the B.&O. loan authorized, Pennsylvania $2 millions, N.Y.,N.H.&H., $700,000, and Central of New Jersey $500,000. This disposes of all pending applications for such loans except one for a million by Chicago & North Western to purchase ties. Altogether some 3,000 men will have jobs in railroad shops during the winter as a result. The R.F.C. record on self-liquidators as of Oct. 13 shows $124,563,620 authorized for projects

- **HEAVY TRUCKS *average* 17.3 STOPS *per day***
- **MEDIUM TRUCKS *average* 26.5 STOPS *per day***

LIGHT TRUCKS *average* 43.6 STOPS *per day*



the LIGHTER *the Truck the* MORE *you need the* SAFEST TIRES EVER BUILT

ONE quick stop—and even though the tires only slide a few inches you've worn out more rubber than many miles of driving would. Skidding is not only dangerous—*it's expensive.*

To short-haul trucking in particular, with its frequent stops and starts, this is a highly important consideration. That's why the anti-skid features of the new Goodrich Safety Silvertown recommend themselves so strongly to users of fast, light delivery trucks.

Comparative tests prove that Goodrich Safety Silvertowns resist skidding more than any other tire—give as much as 27% greater braking control!*

This Goodrich Safety tread, built into tougher, 15% deeper rubber, means MORE miles, FASTER miles, SAFER miles, CHEAPER miles. It's just one feature of the Safest Truck Tire Ever Built.

Your nearest Goodrich Distributor is listed under "Tires" in the Classified Directory. Phone him now . . . *Safety Silvertowns cost no more.* You can get them in three tread designs—Express, Universal and Excavator. The B. F. Goodrich Rubber Company, Akron, Ohio and Los Angeles, Calif.

"This chart shows how a Safety Silvertown grips the road. Improved design gives this Safety tread *full traction,* from shoulder to shoulder—giving you *as much as 27% greater braking control.*"

***SLIPPAGE,** a form of skidding, caused by the bouncing of the tire over small obstructions, is an important factor in tire wear, too. The increased cushion and flexibility of the new Goodrich Silvertown, coupled with the Safety tread, minimize slippage.

Goodrich *Safety* Silvertown

Copyright, 1932, The B. F. Goodrich Rubber Company

***Another B. F. Goodrich Product*—32,000 Rubber Articles · Goodrich Tires · Zippers · Rubber Footwear · Drug Sundries · Soles · Heels · Hose · Belting · Packing · Molded Goods**

which will employ 16,007 men. Harvey Couch of the R.F.C. says there have been nearly 500 informal applications for loans of this class, of which only a quarter were at all eligible and only 70 submitted adequate data on which to base consideration of a loan. He is astonished that, in view of widespread unemployment, there is not more eagerness to take advantage of the generous facilities of the law, at 5%.

To assist in speeding its pay-yourself loans the R.F.C. has invited 37 eminent engineers to serve in an advisory capacity on the regional loan agencies, particularly to help stimulate smaller projects held back by lack of funds for competent engineering advice.

Unemployment relief loans continue to be doled out, in small doses and more recently earmarked mainly to specific localities rather than for distribution by the state. In the agricultural sector cattle are now being fed with R.F.C. funds through feeder loans by the agricultural corporations, and the R.F.C. has turned its attention actively to the problem of financing farm exports by setting up a division for this purpose. It has no propositions in hand, so far as is known, except the Chinese coolie wheat sale which is still stranded because the Farmers' National Grain Corp. won't underwrite the R.F.C. loan to China. The R.F.C. is understood to be giving serious consideration to other export financing projects which are being pressed upon it by foreign trade interests, but there are still no concrete developments.

R.F.C. operations are getting a little more definitely onto a revolving fund basis than they have been, which will take some wrinkles out of the brow of the custodian of the deficit. The drastic drop in many rates is stimulating repayments of bank loans because banks don't like to have too much 5½% borrowed money around earning ½ of 1% or less. These repayments, recently at a rate greater than new loans to banks, have provided funds for other loan purposes without requiring the R.F.C. to draw any new checks on the Treasury.

Domestic Value Tariff Base Impractical, Commission Finds

THERE are many schemes for taking the kinks out of levying tariff duties. Most of them would use as a basis some form of valuation ascertainable within this country. Even now the Tariff Commission, in response to Congressional direction, is studying the extent to which value in the United States may be used.

But foreign (invoice) value probably will remain the basis on which duties on most imports are assessed. The chances are that in the process of shifting to another basis, the tariff wall would be raised. This is what protectionists have in the back of their heads, although there are many valid arguments discrediting the present system. Customs officials don't relish the prospect of a change. Any other basis than the invoice price will be complicated.

Alternative methods now apply to some extent, but in general, they present an arithmetical hodge-podge that is little better than the prevailing practice, which assumes that importers are essentially honest and that fluctuations in foreign value which affect the revenue yield of the tariff even out eventually.

The effort made in the revision leading up to the 1930 tariff to levy duties on the domestic basis petered out in a $250,000 demonstration by the Tariff Commission that it is not practical. The commission recently completed 2 years' work in converting foreign ad valorem rates to their equivalent in domestic value of 3,000 to 4,000 items dutiable at some 900 different rates, and its 900-page report is ready for Congress which thought the survey a 2-week job.

As domestic value is the wholesale selling price in this country of the duty-paid imported merchandise, it is invariably higher than the foreign value and, therefore, requires a downward readjustment of approximately one-third in the rates based on invoice value. The test is, of course, that both rates must produce, as a whole, the same amount of duty in dollars and cents.

The shift from a foreign to a domestic basis of value assumes that the same ratio will continue to prevail that obtains at the time the adjustment is made. The domestic basis is criticized for this reason by the American Tariff League, which claims that it would be to the advantage of every importer to cut the spread and that there are various methods by which this can be done.

Indeed, the importer may not have to lift a hand. If the 1930 tariff had been set up on a domestic basis [illegible] world-wide deflation in prices [illegible] then would, in many cases, have turned the trick for him.

In its report on conversion of [illegible] the commission does not [illegible] opinions or present any [illegible] tions, but in its survey of [illegible] of valuation, that probably w[illegible] pleted by January, the [illegible] should argue both sides of the [illegible] three possible bases for a[illegible] duties within the country: do[illegible] value, United States value, and [illegible] ican selling price. These terms appea[illegible] to be synonymous to the layman and ar[illegible] confusing for that reason.

Domestic value is the wholesale price [illegible] at which imported merchandise, packed [illegible] ready for delivery, is offered in the or[illegible] nary course of trade in the principa[illegible] market in this country. The "Unite[illegible] States value" is simply an attempt [illegible] arrive at foreign value, when that [illegible] not available, by subtracting from [illegible] domestic value allowances for [illegible] transportation and insurance, oth[illegible] penses, commission or profit. [illegible] used as a basis for the assessm[illegible] duty, the "American selling [illegible] not the price of the imported m[illegible] dise but the price of any similar [illegible] petitive article produced in this country.

In a survey prior to the Emergency Tariff Act in 1922, the Tariff Commission's attitude towards "American selling price" was antagonistic, but protectionists hope that this basis will receive more favorable consideration in the commission's next report to Congress.

Canada is the only big trading nation other than the United States, which still uses foreign value as the basis for levying ad valorem duties; 33 countries set up the valuation on some form of landed cost at the port.

Wage Scale Trimmed To Fit the Times

MEMBERS of the Electrical Workers Union and the Electrical Guild of Cleveland have trimmed their wage scale to fit current conditions and possibilities. Heretofore, they have charged $1.50 an hour for any class of work. Hereafter their services can be had for $1.37½ an hour on new construction, $1.05 on modernization, 75¢ on maintenance jobs. Reasoning: Prospects who won't venture into new construction at any price, may be encouraged by these differentials to undertake modernization work, and, if not, at least to loosen up on maintenance jobs.

Wide Reading

CONSUMER PURCHASING-POWER INDICES. ...t S. Howard. *Harvard Business Review*, October. Five types of indices analyzed ...es, weaknesses, usefulness.

...OF GOLD: 1932. Arnold Hoffman. *Republic*, Oct. 5. "It is a revealing commentary on our unplanned society that a function as the gold supply should have been passively allocated to miscellaneous promoters whose one concern is ... The suggestion of government operation of mines will evoke a storm of ... though champions of private ... have not hesitated to obtain aid from Washington when individualism became too rugged."

INVESTMENTS. Arthur B. Taylor. *American Bankers Association Journal*, October. A short guide to the purchase of good bonds. Four methods of analyzing bonds.

UNEMPLOYMENT. *Fortune*, September. Survey of unemployment relief. Estimates of the number unemployed and the number dependent on them. Failure of "work relief" programs. Cheap, scientific diets for feeding communities. Record of various efforts for relief.

BOOKS

...E BEGINS AT FORTY. Walter B. Pitkin. ...tlesey House, 175 pp., $1.50. "Life begins before 40 for some 700,000 Americans rich enough to do nearly as they ... It begins around 40 for some 3 million more whose individual incomes and savings rise through early maturity to something better than $2000. And it might easily begin at 40 for another 12 or 14 millions if these were to organize their affairs to that end from youth onward."

THE CHAIN STORE—BOON OR BANE? Godfrey M. Lebhar. Harper, 206 pp., $3. Obviously an attempt to collect the most effective ammunition with which to annihilate the chronic objectors or political spellbinders that in many sections of the country make capital out of anti-chain-store sentiment, or organize attempts to legislate or tax the chain store out of business.

THE WORLD'S ECONOMIC CRISIS. Century, 285 pp., $1.75. Six of the leading economists of England—Salter, Stamp, Keynes, Blackett, Clay, Beveridge—discuss the current depression and possible paths out of it.

REPORTS—SURVEYS

RETAIL CREDIT SURVEY, JANUARY–JUNE. 1932. Department of Commerce, Washington, 42 pp., 5¢. Study of spring trade in department, furniture, jewelry, shoe, men's clothing, women's specialty, and electrical appliance stores. Statistics and charts on total sales, returns, open credit losses, fraudulent buying.

HOME REPAIR AND REMODELING. Vol. III of Report by President's Conference on Home Building and Home Ownership, 291 pp., $1.15. Especially good chapters on remodeling, with a checklist for contractor or prospective home modernizer.

1932 SURVEY AND STUDY OF OPERATIONS OF KEY DEALERS AND CONDITIONS IN KEY OIL BURNER MARKETS OF THE UNITED STATES. *Fuel Oil Journal*, New York. Data from 55 major markets.

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ALLIANCE INSURANCE COMPANY OF PHILADELPHIA
Practically all forms of Insurance, including Fire, Marine, Automobile, Tourist Baggage, Parcel-post, Transportation, Sprinkler-leakage, Windstorm, Builders' Risks, etc.
ALLIANCE INSURANCE
"WHERE TO BUY IT"
AGENTS
Find
THEIR LOCAL
AGENT
easily
"Wonder if they have a local agent"? For the answer, look in your classified telephone book—under the trade name of the product or service you want. There you'll find names, addresses and telephone numbers of local agents and dealers.
Raybestos, Addressograph, Hertz, General Electric are a few of the names you'll find in "Where to Buy It."

Makes sales surer, easier

"Easier to buy" is really another way of saying "Easier to sell." The advertisement reprinted at the left is, therefore, as important to manufacturers as it is to readers of The Saturday Evening Post and Literary Digest.

The merchandising service it describes makes products and services easier to buy by making them easier for prospects to find. "Where to Buy It" directs prospects to your authorized local dealers or agents.

Write or telephone: Trade Mark Service Manager, American Telephone & Telegraph Co., 195 Broadway, New York (EXchange 3-9800)—or 208 W. Washington Street, Chicago (OFFicial 9300).

We Lose More British Trade Than Canadian by New Tariffs

Ottawa agreements seem likely to restrict our exports of agricultural and raw materials

CANADA settled an outstanding obligation this week when Ottawa outlined to London a whole list of imports which would be admitted into the country on a preferential duty basis in return for the preferences granted by the British on Canadian agricultural and raw material products at the Ottawa conference last August.

There was nothing unexpected in the announcement from the Canadian capital. The items and the amount of preference were all worked out last summer when the British family talked over trade problems at Ottawa. Because publication of the list before the new rates became operative would precipitate a rush of imports from outside the empire, it was delayed.

Still to be accomplished is ratification of the agreement in London (likely within a short time), and in several of the dominions. Great Britain's present temporary free list for empire products is to end Nov. 15 for all those who refuse to negotiate new agreements.

Briefly, Canada, in the new tariffs just announced, changes the tariff rate on 225 items. On 81, there is a reduction of the British preferential rate; on 89, there is an increase in the rates to "outsiders"; on 49 there is a reduction in the British rate of duty and also an increase in the rates for other countries. The revised free list for empire products will include 157, instead of only 81, items.

Items Most Affected

Also briefly, the items on the list which will have the greatest influence on the flow of United States exports to Canada are iron and steel and certain machinery, chemicals and drugs, coal, glass, textiles, and vegetable oils. Preferences range up to 30%.

It should be recalled that this is only the beginning of the empire tariff plan. Both the British and the Canadians are depending on newly-created tariff commissions to work on plans for expanding the possibilities of empire preference, particularly on the 2 markets. Despite growing antagonism in London, and Canada's lack of satisfaction over the Ottawa results, advocates of the whole tariff scheme point to the flexible tariff in the United States to indicate the potentialities for developing a much broader inter-empire trade by gradually eliminating foreign competitors. Free traders are organizing to combat the whole plan. They are not expected to stop its inauguration now. They may be very effective in preventing its expansion if they can prove that foods are already becoming more costly under the new plan.

Profits for Steel

Estimates of the volume of business involved in the new Canada–Great Britain pact vary. British steel interests are likely to profit, and soon, for they are given broad protection and they were instrumental in negotiating the terms themselves. The more miscellaneous groups, however, have never shown any remarkable ability at adapting their products to peculiar Canadian demands. American manufacturers are counting on this, plus a freight differential, plus a time-required-for-delivery differential, to aid them in holding a fair share of the Canadian trade. At best they feel they are not likely to lose any more than $70 millions of business. Probably it will be much less, especially during the first few years the plan operates.

Losses in the British market are likely to be more serious. Canada and the United Kingdom are ordinarily our best customers. Sometimes one, sometimes the other, stands in first place. But Canada, being nearer, has been more largely influenced by our way of doing things, has built up a good share of her industry after the American pattern. This may not allow readily for a shift to another source for parts, repairs, new supplies.

Can Easily Shift

The difference between Canadian and American agricultural and raw material exports, on the other hand, is superficial and Great Britain may be able to shift purchases rather readily from the American sources now that London's empire preference makes Canada's products cheaper. Flour, apples, meat, fruit—all will pay a stiff duty if they come from outside the empire. It was in payment for this preference that Canada decided to give British manufacturers a "preference" chance in the home market.

From the mass of figures which have been released by a dozen sources concerning the importance of the trade involved in the new agreement, perhaps the most interesting are these: Of the type of goods which the United Kingdom will now be able to send to Canada

BANZAI—*Count Uchida, Japan's shrewd little Foreign Minister (right) welcomes Manchukuo's first foreign diplomat, Pao Kuan-cheng, envoy to Tokyo. Even the Emperor participated in the welcome*

duty free, Canada last year imported $31.2 millions, but Britain supplied only $8.3 millions. Of the list of items on which Canada has now raised the non-empire schedules, imports last year ran to $35.1 millions, and Britain supplied only $8.8 millions. In the third group—items on which the duty remains the same to outsiders but is reduced for British imports—Canada's total imports ran to $37.4 millions. Britain supplied $21.5 millions.

Room for Old Friends

With all respect for the delays which must always accompany new developments in a democracy, it cannot be said that the plan for the free flow of trade within the empire has succeeded very far. The British are openly discouraged with the first attempt and are already busy cultivating their old Scandinavian and Latin American markets. It can be assumed now that when London announces the new quotas on food imports, these old friends will not be ignored. It may even be that they will get a larger-than-expected share as a result of their new efforts to "Buy British," their recent attempt more nearly to equalize the flow of trade between them and Britain.

While these results must be disappointing to the protectionists who promised the British electorate large and immediate results, they have scarcely caused any wave of pessimism in Britain where there is a growing belief that the "bargaining" idea is good but that it must more nearly follow natural trade channels. And in that growing group outside of the empire who realize that in the breakdown of the mass of trade barriers is the one means of restoring economic order, there is considerable relief that the empire plan was not so successful as to eliminate the possibility of further bargaining with its various members.

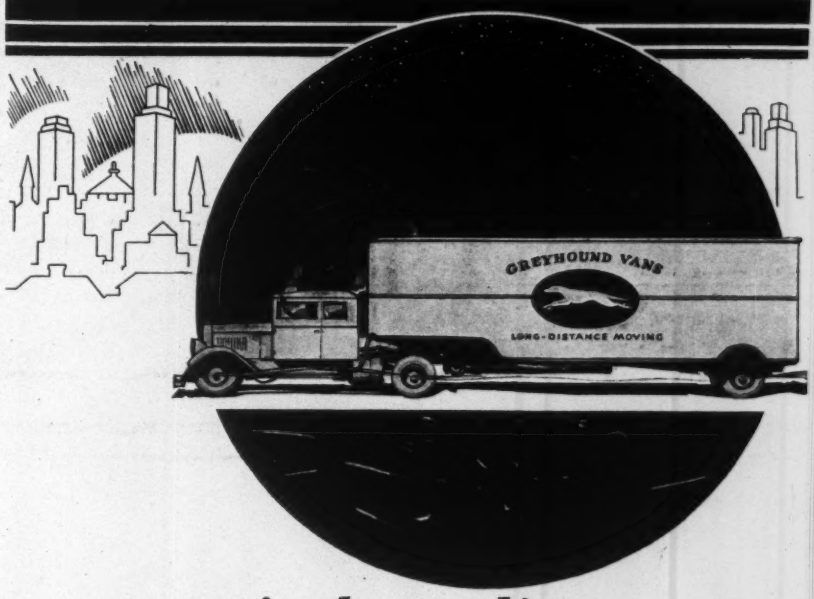
The world trend is still toward protection on a small group basis, but the resistance to this policy is stronger than it was a few months ago.

All Lenin's Children Dream of Viscose Shoes

LAST year there were 83 million Russians for whom Soviet shoe factories failed to provide. Indeed, output for the entire country provided only one pair of shoes apiece for the other 77 millions.

Small wonder Moscow has hastened to announce that production of leather footwear has been speeded up nearly

Proven RESPONSIBILITY



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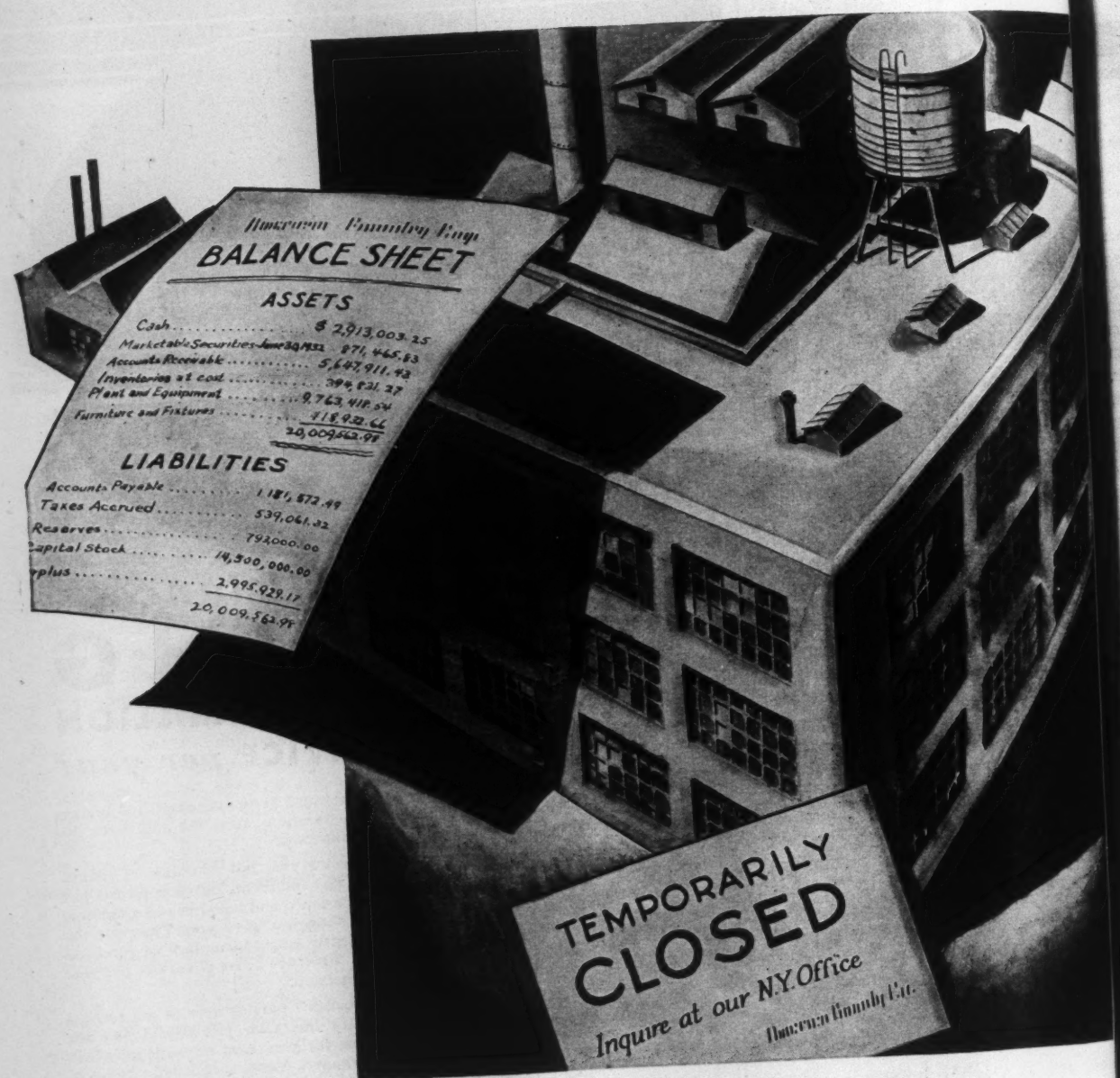

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THE BUSINESS WEE

in the bank

without orders on the books?

Do you belong to that group of business men who have, fortunately, piled up large cash-reserves for their companies? But who, unfortunately, find themselves with plenty of money in the bank today—but practically no orders on the books?

What are you doing with the interest on that cash reserve? Are you throwing it in with your other funds, to be dissipated in supporting a plant that's no longer a productive unit, but just so much steel and bricks and mortar? Or are you putting it to work to help bring in the orders that can start the wheels turning again?

If your customers are in the food industries an annual "interest fund" of less than $2,500 will keep them reminded, in every issue of their favorite industrial publication, that your product is worth buying.

If you're a machine-tool manufacturer with an annual "interest fund" well under $4,000, you can do a thorough sales job, for a year, in all 26 issues of the foremost metal-working magazine.

If you must shoot at the giants of business and industry to sell your automobiles, engineering services or whatnot, less than $37,000 will place your message before 75,000 of these executives 52 times a year, or less than $10,000 for 13 times

If you sell to the engineering-construction field, an "interest fund" of less than $10,000 will buy a constant coverage in the two leading publications in this field.

And in almost every other branch of business and industry, the low cost of business paper advertising will allow your modest "interest fund" to do a thorough sales job for you.

Weakening your cash position to strengthen your sales program may seem inadvisable. But crippling your sales program to add to your cash reserve is even greater folly. The program above presents the happy medium. It shows you how to go out and fight for sales today, with *just the interest from your cash reserve.*

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MR. JOHN BULL

. . . will listen to reason

The "Buy British" movement has been a god-send to England. It has forced British manufacturers to recognize the value of their own market.

American manufacturers can no longer overlook the necessity of meeting this encouraged British competition. They must either establish their own factories in England or retire gracefully.

Factory sites along the L.M.S. right-of-way are plentiful—either for sale or for rent. Prices are extremely low. Cheaper labor and carrying charges make operation most economical. And of course, a "Made in England" label for your product eliminates all buying prejudice.

Let us show you our listing of available factory locations —also the experience background of other American businesses already manufacturing in England. This information will be given in *strict confidence*—without cost or obligation. Just write or phone.

LMS
GREAT BRITAIN

LONDON, MIDLAND & SCOTTISH RAILWAY OF G. B.

[LONDON, MIDLAND & SCOTTISH CORPORATION]

Thomas A. Moffet, Vice-President—Freight Traffic
1 Broadway, New York City

10% this year, that Soviet chemists have very recently completed experiments with viscose shoe soles which have proved satisfactory. The government is planning to produce 3 million pairs of soles a year.

Experiments have been made in the United States using cellophane for other than transparent wrapping, but so far commercial output of any product demanding hard wear has not proved feasible. Experts are inclined to view the report from Moscow with skepticism. Unless the viscose is used with some durable abrasive, it is thought it will not prove sufficiently durable for shoe soles. Certainly, on most markets, rubber—at present prices—is more satisfactory, and, in the long run, cheaper.

In the Soviet Union, however, domestic rubber production is still in the experimental stage. Foreign credits are limited and must be conserved for the purchase of heavy machinery, products which cannot be produced at home. Many novelties from the country's ambitious new industries are being tried.

Ocean Travel Needs More Than Fare Reductions

AT least half a dozen tempting new ships, depreciated currencies in many of the countries in Europe, and—most important of all—steamship rates which ran as much as 20% below the comparable prices a year ago, all failed to lure people abroad this year.

Fewer than 510,000 passengers crossed between Europe and the United States this year. A year ago there were nearly 553,000. Only the eastbound traffic from Canadian ports showed an increase, and this was scarcely 4,300 greater.

American lines lured the North Atlantic passenger conference into fare reductions. None will ever know how many would have traveled without the cuts. And no doubt some steamship agents will always feel that they have paved the way to greater future profits by having introduced ocean travel to many who might never have ventured without this year's bargain prices.

Conference members will assemble this fall to decide whether the lower rates will remain in force during the winter. Probably they will not. But none can guess what the plans for next summer will be until business prospects are better known. They are not likely to advance far for passenger tonnage is increasing rapidly, and competition is increasingly keen.

French Ingenuity Cashes Frozen Export Credits

SIMILAR are the problems of the exporter the world over. And similar the appeals for aid in the present trying times.

French exporters appealed to the government some time ago for aid in handling some of their collections which were frozen in foreign countries when bans were laid on foreign exchange. Early in the year, the government formed a sort of clearing house to help balance credits tied up abroad against exports to France from those countries. In 3 months this organization settled about 10% of the $12 millions handled.

Bank Will Discount

Now the Bank of France has agreed to discount these bills for the French exporter if the previously-set-up clearing house will accept them and when they are properly endorsed by guarantors.

To the American exporter who has run into the same sort of promises from the banks, the plan has its weaknesses. Who wants to guarantee payment, for example, on shipments to most Latin American countries these days? Or to the countries of Central Europe? And yet these are the countries where the largest volume of credits has become frozen.

A more ingenious plan for getting around the difficulty has been disclosed, also in France. A good many Frenchmen have been caught with credits in Germany which they cannot withdraw because of the strict government control of foreign exchange. They have recently banded together and worked out a plan to liquidate at least a part of their assets, though at a discount.

How It Works

They work their plan in this manner. German manufacturers, eager to sell abroad, are solicited. Their goods are purchased and shipped out of the country. The manufacturer is paid with the credit which has been on deposit in a German bank. The Frenchmen then sell the shipment in France, or in some country where foreign exchange is not restricted. Usually they sell at a considerable discount, sometimes as much as 25%, in order to find a ready market, get their cash promptly. This virtually gives the German manufacturer a subsidy on the export market.

Significance rests in the recognition that the only way debtors are going to be able to meet their obligations is through payment in kind. Larger creditors than these French individuals may find it necessary to accept this arrangement, even to the discount.

Business Abroad—Swift Survey Of the Week's Developments

World business steady but not buoyant. . . . Interest shifts from shares to bonds. . . . Commodities irregular, or down. . . . Exchanges, especially sterling, weak. . . . Increasing social distress hastens constructive projects. . . . Foreign trade dammed by barriers. . . . France alarmed over budget. . . . Germany encouraged by production increases. . . . Britain lagging, but not discouraged. . . . Japan finds signs of improvement. . . . Outlook fair.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Europe's business spotlight lingered longest this week on 4 items in the news: the armaments discussions and the related bargains likely to be driven before they reach final solution; full publication of the Ottawa accords and the inevitable repercussions; the growing concern over the French budget position; reiterated demands, particularly from Germany, for reduced interest rates on foreign loans.

Europe seems to be shifting definitely toward gradual equality of armaments through reduction of arms by the powers. France is no doubt distressed by the budget deficit and more willing to talk economy than a year ago. Also, the cultivation of the old Franco-British entente is daily more obvious, and gives France the chance to play up at home this "concession" on the part of the British. In fact, the domestic press in each country is being urged to play up to the limit the concessions which are made abroad, and to minimize to the limit domestic concessions. And all around there is a desire to move quickly enough to be able to present results when next the discussion of debts with Washington comes up.

Tariffs—Good or Bad?

Publication of the complete list of 225 items in the Canadian tariff on which various British exports have been given some degree of preference caused something of a stir despite the earlier general knowledge of what would be included (page 24). Europe, however, is less affected by this announcement than by the preferences which London gave the Canadians, and which were announced in August. Details, when announced, of food import quotas on the British market are eagerly awaited by the Scandinavians.

Concern over the enormous French budget deficit is as great in France as in some of the other money centers of Europe. French economic disintegration is spreading at an alarming rate at a time when most other countries are tracing slow but certain signs of recovery.

Lower Interest Demanded

Perhaps the greatest importance attaches to the demands which have been renewed recently for reduction of interest rates. In view of the coming debt discussions following the American elections, and of the world economic conference toward which every move now points, much significance is attached to this insistence. Germany is outstanding because of her important position among the European nations, and because of the huge total of foreign debts which would be affected if the Germans were granted a general reduction in the interest rate.

To this demand are added claims from debtor countries of Central Europe for a reduction in the rate of the League of Nations loans. The recent default in Yugoslavia, the lapse of sinking fund payments in Rumania more recently, the difficult situation in Greece, all have urged upon finance experts the necessity of reducing interest or contemplating further extensive defaults.

The success of the creditor nations in converting their own floating debt to a lower rate of interest, and the increasing social distress as winter approaches are 2 factors hastening constructive decisions which may be expected to include relief along the lines demanded by debtors.

Worry Over "Due Dates"

It is significant that Germany has once more coupled the lowering of trade barriers with her demands. There is something of a lull in the long line of crises in Eastern Europe but experts know it is only artificially so, that the powers are propping up these debtor countries in the hope that major constructive moves can be planned by the powers before the next "due dates" come around. With the important German elections scheduled for Nov. 6, and the American elections Nov. 8, little that is decisive will be accomplished until well into November. Then quiescent plans should spring to life. There is some confidence that groundwork now being laid will be broadly effective.

Several developments are worthy of

Acme

DANES! BUY BRITISH—*Copenhagen dressed up, played host to British salesmen, headed by the Prince of Wales, when the British threatened to buy their butter from New Zealand, their bacon from Canada. If Denmark buys British, reasoned the Danes, the British won't ignore them*

attention. During the week there has been a general strengthening of bond prices in most financial centers, to the detriment of shares. Commodities were irregular, with several setbacks. Production, on the other hand, showed some improvement, particularly in Germany. Exchanges were soft, sterling dropping spectacularly when the British Treasury withdrew its support.

Increased social distress was marked. London and Belfast both witnessed riots of the unemployed which were disturbing though perhaps overplayed in the socialist press. Belgium is obviously shifting toward socialist theories. In Germany, labor unrest which followed the first wage cuts is less vigorous now that employers have generally abandoned plans to make extensive slashes in wages. Von Papen's proposal still stands, but it is pretty much inoperative. The improved position of the German Treasury has made it possible to increase the winter dole rates.

Germany

Steadily higher bond prices reflect returning public confidence. . . . Industry continues recent gains; rayon tops list this week. . . . Foreign trade difficulties precipitated by German import quotas.

BERLIN (*Cable*)—A steady advance of bond prices, particularly on government issues, marked returning confidence in Germany this week. The investing public made no rush to reenter the market, but there was a steady, strong interest which spread far beyond professional traders. It was the most encouraging development in German business.

Cheerful reports from industry continued to accumulate in Berlin. Rayon producers topped the list of industries reporting "better business" in mid-October. Other textiles were active but the cotton people felt the reaction in the price of raw cotton which made buyers hesitant to stock far in advance.

Steel is making small but persistent gains. Total sales for the third quarter dropped slightly below the second quarter but, within the total, home sales did not decline for the first time in any quarter since the beginning of the depression. October business in all lines is better. Russia is rumored to be after some more German steel, but wants to pay with bills maturing in 1934. No new Soviet orders of any consequence have been booked during the week.

Employment improved as various industries called back their workers to execute the flow of new business.

Foreign trade returns in September showed a surplus of exports worth $20 millions. This is only $3 millions below the August surplus, is due more to higher prices for imports than to any other one factor.

The most unsatisfactory element in the economic picture is the threat to the country's export business, however, due to the retaliatory measures which a number of good customers have inaugurated following the recent imposition of import quotas.

Tomato Commission

A German trade delegation is now rushing frantically from one to the other of the country's disgruntled neighbors trying to patch up the difficulties which have followed the quotas. After a relatively successful visit to Belgium (this country was the least affected by the German restrictive measures and an agreement was therefore comparatively easy to arrange) the German commission entrusted with these negotiations—commonly called the "Tomato Commission"—went to The Hague where the negotiations led to a complete rupture within 24 hours. The Dutch flatly refused to give their assent to the proposed import contingents. Public opinion is extremely hostile toward Germany and demands from its government at the Hague immediate reprisals against "this outrageous German plan."

In the meantime, the boycott movement against German goods is rapidly spreading and is being carefully organized. Even German shipping companies are confronted with the refusal of Dutch exporters to ship their goods by German steamers.

Foreign Exchange War

From The Hague the commission had to rush off for Rome—passing up Paris for the time being. In Italy, the situation had become extremely serious owing to the termination, as from Oct. 1, of a clearing agreement between Italy and Germany, which was answered in Italy by a complete cessation of all allocation of foreign exchange to Italian importers of German goods. Over night, this "foreign exchange war" had almost completely disorganized German-Italian trade.

German and Italian representatives at Rome have reached a provisional modus vivendi agreement but there can be little doubt that German exports will suffer. These difficulties have caused the government temporarily to stop pressing the import quota idea, were no doubt behind von Papen's plea for freer trade rights so that German exports can follow normal channels and imports will need less drastically to be curbed.

STRONG HAND—*General Julius Goemboes, Hungary's new premier, chose only young men for his cabinet, included none of the nobility, ordered civil servants to begin their day at 8, declared his admiration for Mussolini*

Great Britain

Surface tone good; undertone uncertain. . . . Bond market booming. . . . Unemployed get out of hand. . . . Railway stockholders organize to stop rail bus war.

LONDON (*Cable*)—The surface tone of business is good and the gilt-edged market is enjoying a small boom following the success of the government's recent short-term 2% issue. New industrial issues continue to be well received.

The business undertone, however, is uncertain since the Ottawa agreements are being received with such mixed feeling. Parliament, on reassembling this week, is faced with the prospect that the number of unemployed will soon reach 3 million. Recurring riots and demonstrations are not yet serious but are very disturbing.

Railway stockholders have combined into a single group to press for legislation to adjust the differences in the road-rail controversy in addition to the official pressure which has been brought by the individual companies.

France

More orders but smaller profits. . . . French industry negotiates for lowering of German trade barriers. . . . Country alarmed over mounting deficit; higher taxes inevitable; Parliament to meet Oct. 25. . . . After long resistance, France follows course rest of world tread 2 years ago.

PARIS (*Wireless*)—Although certain industries, notably iron and steel, and textiles, report some improvement in the volume of orders in recent weeks, all executives are complaining of the necessity of bidding so low for new business that it is impossible to make any profit. Losses are taken, however, rather than reduce employment further. The immediate position hinges on the government's ability to untangle the Franco-German armament and tariff disputes. Until this is accomplished, continuance of the European business marasmus is inevitable.

After German Business

Fear during recent weeks that the Franco-German commercial accord of 1927 would be terminated by France because of the restrictions Germany has placed on all import trade, is partially eased this week. Official negotiations have begun between the 2 countries, aimed at adjustment of the troubles. French business is directly represented by the Association of French Industry and Agriculture, the same group which originally sponsored the accord. Because of their direct tieup with the equivalent group in Germany, there are hopes that some settlement will be possible without terminating completely the old pact.

French Treasury in Red

Parliament has been convoked for Oct. 25 and will proceed immediately with the solution of the 1933 budget deficit which, through July, was estimated to have reached a total of 8 billion francs, but which is now believed to have mounted to 12 or even 14 billions. Although some pretense at economies will be made for appearance's sake, it is impossible to see just where they can be made since a reduction in government salaries or in the war pensions would cause the overthrow of the government and establishment of a pure socialistic order.

The ultimate outcome of the budget problem, therefore, pivots around an increase of middle class taxation, immediate relief being afforded by further government borrowing. It is the belief of the nation's Finance Committee that government needs will exceed 20 billion francs by 1933. This will more than counterbalance the total sums amortized since the stabilization of the franc and it may be further accentuated if the recently discussed project for another $400 million public works plan, to combat unemployment and the recent accelerated decline in industrial activity, is accepted by Parliament.

Latin America

Economic roundup in Argentina brings to light encouraging developments. . . . Brazil meets foreign interest maturities, contemplates rail electrification and modernization. . . . Chile may sell nitrate to France.

FROM 2 countries in Latin America there were encouraging reports this week of business developments.

Argentina has made a careful checkup of conditions throughout the country and finds them much better than popularly expected. The budget is balanced. The national government has not defaulted on any foreign obligations and if the crisis can be weathered through October and November prospects are good that the situation will remain wholly in hand. The foreign exchange balance is improving. Licenses are still restricted to government requirements and a limited number of general commercial bills, but the prospect of liquidating import bills more promptly is better than at any time in 2 years.

Reconstruction in Brazil

Though coffee prices sagged when the announcement was made that the first ship loaded with coffee had left Santos, following the 3-month blockade of that port, the outlook for Brazil is brighter. The country met foreign service obligations in London and New York this month. Plans are under way for absorption of the São Paulo war script. There is a temporary moratorium on commercial bills until the country's finances are reorganized. Talk of railway electrification, however, has been revived and it is understood that representatives are asking abroad for bids on railroad equipment as well as for bids on the new construction. The future is considerably brighter than a few weeks ago, though there are still many difficulties ahead.

Chile is still very much upset. Perhaps the most cheerful news relating to the country is the prospect that France will place a fair volume of the annual government nitrate order with Chilean producers. This is conditional now on Chile's willingness to accept French demands that at least part payment be made with French funds frozen in Santiago banks.

Far East

Signs of revival appear in Japan. . . . Trade balance favorable in September. . . . Manchukuo is quiet. . . . More construction plans in China.

SEVERAL more encouraging reports of the business outlook in Japan helped to improve the Far Eastern picture this week. No new problems developed around the status of the new Manchukuan state. China was relatively calm.

Several factors are responsible for the more hopeful tone in Japan. Rice prices are being supported at higher levels, and this in a year when the Japanese crop is likely to meet domestic demands.

Exports Contested Abroad

A favorable balance of trade of nearly $12 millions in September helped to stabilize the country's position. Mass sales under the stimulus of depreciated currency, however, has roused a storm of protest abroad, may bring about retaliatory measures, or curbs against products shipped from countries off the gold standard.

Wholesale prices improved during the week, and there were reports of larger sales of low-priced automobiles. Government bond prices strengthened, due particularly to the influence of abundant cheap money. The weakness of cotton and raw silk prices were unfavorable factors due to a lull in the export demand for these products.

Japanese economy is still dominated by the Manchukuo affair. While diplomatic problems related to it are just now in abeyance, there is still the domestic problem of meeting the expenses connected with policing of the area. There is every probability that domestic taxes will increase during the winter.

China Plans to Build

China is quiet but there continue to be rumors that the government is planning numerous construction projects and engineers and manufacturers are alert. Germans are working on equipment for the new steel mills which they have contracted to build under agreement with Nanking. More railroads are discussed. The oil region in western Shensi province may be exploited this year, and without aid from abroad.

The Figures of the Week And What They Mean

A sharp decline in the volume of check payments during the holiday week and some slackening in construction activity outbalanced the favorable showing of bituminous coal, electric power, and carloadings in the general index. . . . Steel operations reached 20% of capacity, but whether this level can be maintained or forced upward will depend upon the support given by the railroad, construction and motor industries. . . . Commercial loans gained slightly for the first time in more than a month. . . . Currency circulation declined slightly. . . . Commodity prices remain unsettled.

PRACTICALLY no change has been apparent in underlying trends in the steel industry for the past 2 months. The slow, upward movement in operating rates has been forced by the accumulated orders from a wide variety of consumers. Though in the week ending Oct. 17, Dow, Jones estimates a rate of 20% of capacity, most trade papers are beginning to express doubt that this level can be further boosted without the assistance of the major steel consumers—the railroads, the construction and motor industries.

Much was hoped from the governmental support given to the railroad industry, designed to assist the purchase of new equipment or the repair of old. So far the response has been less than expected. The Pennsylvania ordered a small amount of steel to begin the construction of 1,285 cars in its own shops, and the Reading and Norfolk & Western have placed some tonnage. The B.&O. loan of $3 millions for equipment construction has been authorized by the R.F.C. Outside of these roads, demand for steel has been negligible. Rail buying has been particularly insignificant instead of at the height of the season. Probably the greater tightness of the R.F.C. in regard to loans destined to meet obligations of the roads has reacted to retard requests for loans for equipment, in spite of the greater leniency of the government in this field.

Motor manufacturers also seem a bearish prospect for the steel industry in spite of the approaching annual show of the industry. Chevrolet, Plymouth, Pontiac and Willys-Overland have ordered small lots for their first assemblies but Ford continues to draw upon his stock. Sales figures have not been such as to encourage manufacturers to speed up production until the consumer market looks more appealing.

Automotive Markets

Recent gains in employment throughout the manufacturing industries have not yet affected the cautious attitude of the motor industry in sizing up its market. Moreover the apparent pressure for low-priced cars is always a threat to the steel industry, which often bears the brunt of such price reductions.

Chrysler has announced that the new Plymouth will be a 6-cylinder car for less money than the present models.

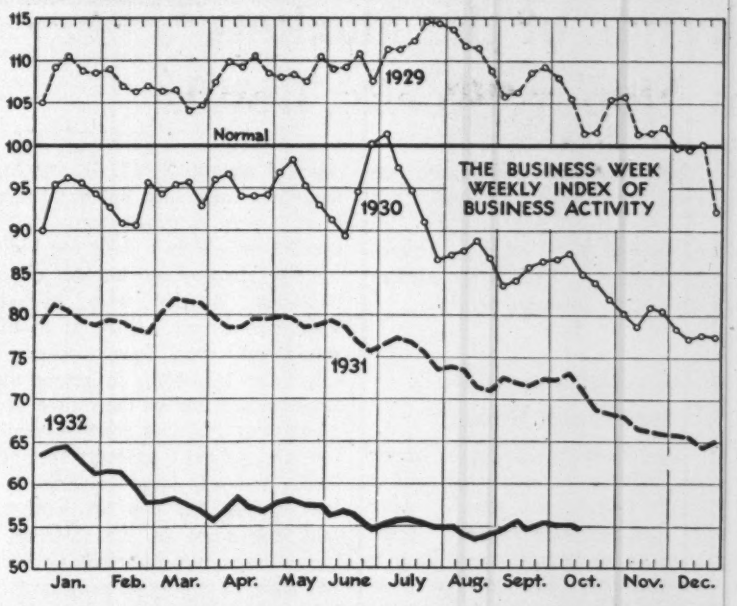
Passenger car registrations in 35 states during September are making a better showing than early figures suggested. A 15% decline is now indi-

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1927-1931)
	*54.8	†55.3	70.9	
PRODUCTION				
Steel Ingot Operation (% of capacity)	20	19	28	62
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,118	$5,174	$9,775	$17,410
Bituminous Coal (daily average, 1,000 tons)	*1,209	1,132	1,308	1,707
Electric Power (millions K. W. H.)		1,506	1,656	1,660
TRADE				
Total Carloadings (daily average, 1,000 cars)	104	104	127	174
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	67	67	84	111
Check Payments (outside N. Y. City, millions)	$2,370	$3,364	$3,625	$5,187
Money in Circulation (daily average, millions)	$5,662	$5,666	$5,495	$4,922
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.45	$.47	$.47	$.97
Cotton (middling, New York, lb.)	$.064	$.068	$.065	$.152
Iron and Steel (STEEL composite, ton)	$29.33	$29.30	$30.76	$34.04
Copper (electrolytic, f.o.b. refinery, lb.)	$.060	$.060	$.068	$.125
All Commodities (Fisher's Index, 1926=100)	61.3	61.8	68.2	88.2
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,232	$2,241	$2,169	$1,501
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,981	$18,882	$21,501	$22,090
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,167	$6,156	$7,679	$8,770
Security Loans, Federal Reserve reporting member banks (millions)	$4,467	$4,481	$6,001	$7,062
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$433	$426	$928	$3,708
Stock Prices (average 100 stocks, Herald-Tribune)	$85.66	$84.99	$102.76	$149.82
Bond Prices (Dow, Jones, average 40 bonds)	$79.65	$80.03	$85.01	$93.96
Interest Rates—Call Loans (daily average, renewal)	1.5%	2%	2.1%	4.3%
Interest Rates—Prime Commercial Paper (4-6 months)	1¾–2%	2–2¼%	2¼–4¼%	4.3%
Business Failures (Dun, number)	503	496	532	432

*Preliminary †Revised

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



ated. Commercial cars are selling surprisingly well, and for the second time in 6 years have exceeded August sales in 16 states.

Structural steel lettings are not increasing in volume at this time, though *Iron Age* reports that inquiries are heavier. Interest centers in the huge prospective tonnage for the Golden Gate bridge at San Francisco financed by the R.F.C. The tonnage, however, is not likely to be rolled this year, thus further postponing the stimulus of the steel industry. Last week the Reconstruction Finance Corp. approved nearly 3 millions of self-liquidating projects, most of which were waterworks. The Treasury reports that some $581 millions of projects out of the $700 millions available for the building program had been authorized by early October.

Scrap and Pig Iron

Scrap markets have weakened after a rapid rise in recent months. A number of railroads have withdrawn their offerings on account of unsatisfactory prices. Pig iron and finished steel prices are fairly steady. Pig iron business in the Chicago district is reported well ahead of September.

Partial returns on construction activity during the first 12 business days of October indicate total awards in the 37 states of $54,339,300, according to F. W. Dodge Corp. On a daily basis, these contracts represent a 11.2% decline from the September average.

Both bituminous and anthracite coal production during the week ended Oct. 8 continue to maintain a high level, with bituminous pushing upward toward the 1931 level. The adjusted index rose to 53% of normal. Consumption of coal by industries in the United States and Canada during August marked the turning point in the decline. A gain of 7.5% over July daily average is reported by the Coal Committee of the National Association of Purchasing Agents.

Electric power production gained very slightly during the week of Oct. 15, but the adjusted index remains unchanged at 70% of normal.

Carloadings Encouraging

Though the rise in carloadings for the week ended Oct. 8 was not large, the fact that it rose at all has been heralded as a good omen. In the past 3 years declines have characterized comparable weeks. The index based on miscellaneous and less-than-carlot freight rose to 52% of normal.

Check payments during the week ended Oct. 12 declined to the lowest level of the year in the 140 cities outside of New York City. Probably the chief reason for the decline of over 29% from the preceding week was the observance of Columbus Day in some centers, but in the last 3 years the decline in comparable weeks was never large enough to be the low point of the year. The index declined to 58% of normal. During the month of September, New York City debits rose 5.2%, while the financial cities outside of New York lost 1.8%. In the 140 cities outside of New York City there was but a fractional gain over August.

Currency circulation daily average for the week ended Oct. 15 declined $4 millions. Postal savings at the close of September totaled over $854 millions, a gain of $9.9 millions over August. In the past 3 months the net increases have steadily dwindled. Savings banks in New York State report nearly 4,500 new accounts during September, but withdrawals exceeded deposits by nearly $2 millions. Some 27 selected banks in the Cleveland district show further shrinkage in savings deposits during September, but the net decrease was considerably smaller than during August and July. Insurance sales also declined more moderately than in 1931.

September wholesale prices of 784 commodities showed but a fractional gain over August, with no change recorded in the farm, food and metal products groups. Hides and leather products rose 3.5%. Retail food prices in 51 cities declined ½%.

Commodity Prices

In the last few days commodity prices continued to show weakness. Declines marked cattle, hogs, cocoa, coffee, rubber, wheat, corn, and cotton. Silk and wool strengthened. The non-ferrous metal markets were dull.

Coffee prices reacted when the port of Santos reopened for shipments. In spite of the belief that sugar refiners would have to enter the market to replenish stocks, prices sagged. The decline in wheat prices revives export possibilities. Cotton cloth data were favorable, with stocks at the close of September at a new low record.

Trends of the Markets In Money, Stocks, Bonds

City banks struggle with money unemployment problem as rates recede. . . . Stock prices show pre-election indecision, and bond market progress is postponed. . . . British let sterling settle to steady internal prices.

Bankers Decide to Be Realistic About Rates

NEW YORK bankers serving on unemployment relief committees have had an increasingly troublesome relief problem of their own this week. Their dollars have been on the breadline, willing to take any handout, but no job except short ones with guarantees. Last week the line became so long that the attempt of the clearing-house banks and the Stock Exchange to peg money rates collapsed and the whole structure of short-term money wages receded to the lowest levels on record.

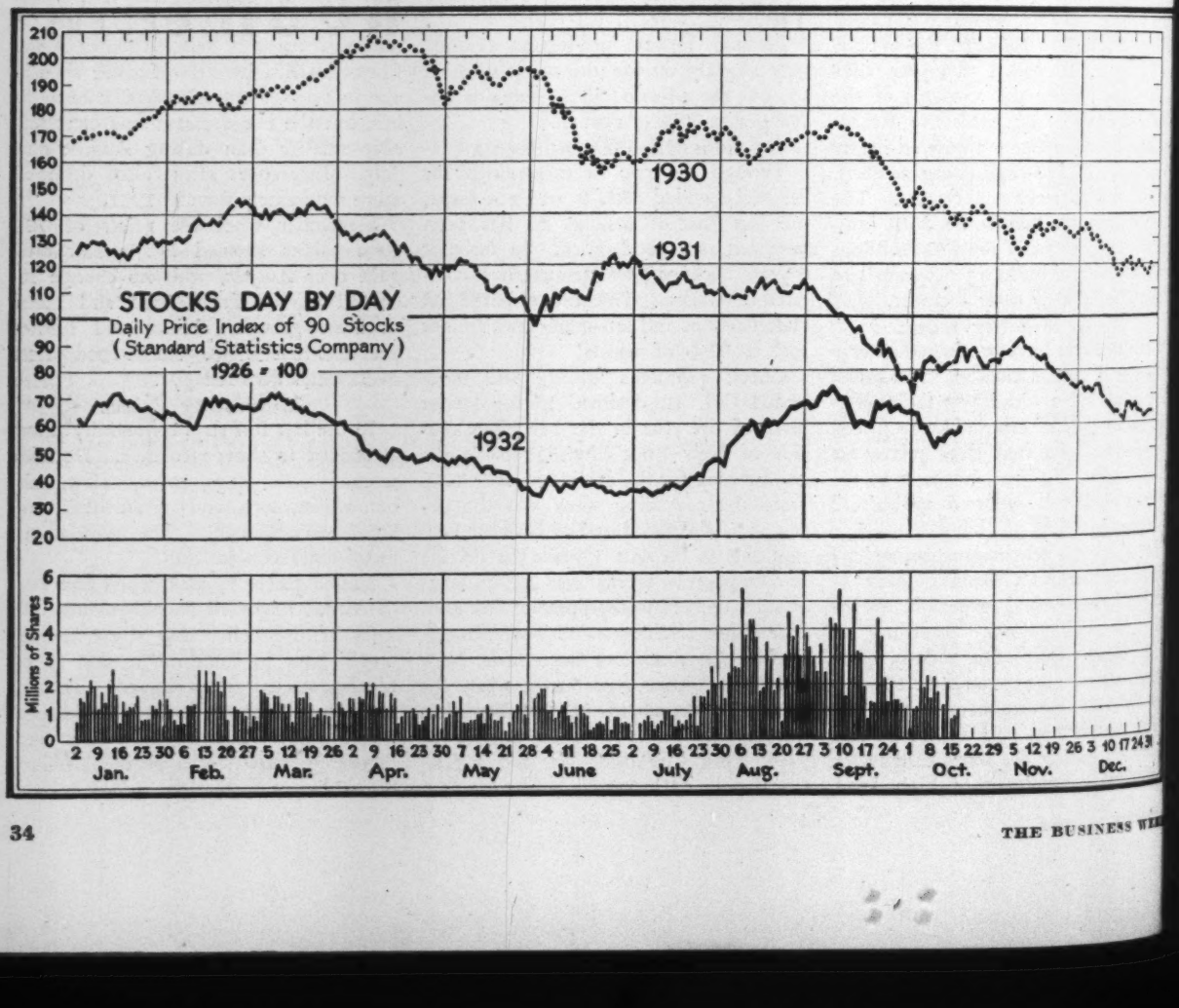
During the first half of this year the clearing-house banks and the Exchange had by agreement kept the call loan renewal rate at 2½%. It was lowered to 2% in early July, but these rates had been largely fictitious for a long time, serving merely as a basis for brokerage interest charges on unpaid customers' balances. Anyone who wanted call money could get plenty of it all over the Street, even from brokers themselves, at 1%–1½% in recent months. Brokers had lots of their own to lend; plenty was available from domestic and foreign private lenders; out-of-town banks had left large balances in town looking for this kind of work. It is said that some of the clearing house banks themselves indirectly undercut the call renewal rate by offering time money below the 2% figure.

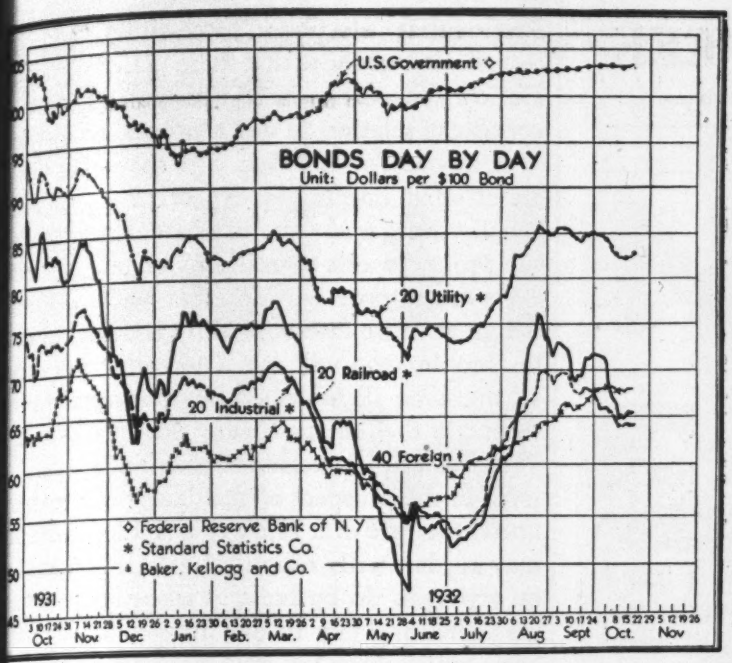
The banks and the exchange finally decided to drop this pretense and abandon what had become a purely artificial situation. The official call renewal rate was lowered to 1%; this brought a cut in bankers' bills to ½%, in 90-day money to ¾%. Still outside call money was available at ½% to 1% and 60-day loans at ¾%. The official call rate was equalled last May, but is lowest since 1908. The actual open-market money rates prevailing are the lowest on record in this or any other market.

They, of course, leave the rediscount rate high and dry and there is expectation of reduction. This would seem unlikely before election because of possible political implications, and banks would oppose because the rediscount rate fixes the rate for current commercial customers' loans and other types of credit. It has little significance now from the Reserve bank point of view because member bank borrowings are low. More important than that of a rediscount rate change is the question whether the Reserve banks will be persuaded by member banks unhappy over the plethora of profitless funds to sell some of their government security holdings and gradually reverse the easy money policy they have been following.

The latest member bank statements suggest that surplus reserves have begun to stimulate investment in something beside governments. Otherwise indications of any effective credit expansion other than through operations in Treasury issues are slight. Loans outside New York are still declining.

Aside from a strengthening in Canadian dollars due to large wheat ex-




BONDS DAY BY DAY
Unit: Dollars per $100 Bond
U.S. Government ◇
20 Utility *
20 Railroad *
20 Industrial *
40 Foreign †
◇ Federal Reserve Bank of N.Y.
* Standard Statistics Co.
† Baker, Kellogg and Co.
1931
1932
Oct Nov Dec Jan. Feb. Mar. Apr May June July Aug Sept Oct. Nov

orts, the outstanding feature of foreign change markets this week was the sud- n sharp drop of sterling. This appar- tly reflected the decision of the Brit- h Treasury not to continue support of erling out of the exchange equaliza- on fund in face of seasonal pressure f payments for cotton and other im- orts and tendency of internal prices to decline since the outset of October.

tocks Mark Time, Awaiting Vox Populi

NCREASING indecision has been evident the movement of stock prices follow- g the rally during the week ended ct. 15. Trading volume has been low d the market obviously largely pro- ssional. Although it looks to the art-minded as though the action of e market since the early September ak of the summer upswing has been tablishing a downward bias, it is clear at neither side has been willing to mmit itself between now and election. mpaign speeches have been capital- ed by the professional operators both ys, the only regularity observable so being a tendency to rally on Roose- lt speeches and to relapse on Hoover erances. Aside from short and nar- w movements arising from internal nipulation it seems likely that the rket will mark time till vox populi heard on Nov. 8. Outstanding fact that improvement in business indi- tors is still largely ignored, despite the fact that in some cases this is running past the seasonal turning point. The only explanation offered for this is that the summer upswing discounted all of it and more.

Politics Also Postpones The "Big Bond Push"

THE bond market is barely holding its ground but has not yet begun to respond to the orthodox influence of abnormally easy money rates and abundance of idle funds. Short-term Treasury issues are an exception, along with the better grade of municipals, both of which are in heavy demand which has forced yields down to very low levels. The big push in bond prices that may be expected when the pressure of idle investment resources is released is plainly being postponed at least till the election certainties are confirmed. Even then it seems likely that the rush to get aboard will be slow in starting till the ultimate issue as to the extent and form of the inevitable inflation is decided. New issue activity continues negligible.

In spite of the excellent market for them even the new municipal offerings are thin. As described on another page, most of the new capital being raised in the country now is going into Treasury securities. It should be noted, however, that September showed the first common stock issue in many moons, a small public utility flotation in Kansas City.

Pensions for Employees

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

October 26, 1932

Nov. 9

Do you believe in political fairies, governmental hobgoblins, and federal witches? Sure you do, and so do we. Each of us has his favorite brand of black magic or mumbo-jumbo, and every four years as Hallowe'en approaches, and for several days after, we all have a grand time burying the three white hairs from the rabbit's tail in the backyard under the full moon and practising other incantations in favor of or against the candidates and their big medicine. Which is as it should be.

But though we like it, we must admit it may be unduly distracting to the serious business of life, for it is very difficult for business men to pay due attention to pressing problems of production policies and sales strategy while studying the political dream books or electoral racing charts. At any rate some folks seem to think that if politics interferes with business, business should be abandoned and all industrial, commercial, and financial decision, initiative, and effort should be suspended till the sovereign people have picked their next President at the polls; and if then they have been fools enough to choose the other fellow's favorite instead of ours we should or can all squat on our hunkers sulking till the moon changes.

This is all quite human, but we don't think it very sensible at this stage of the game. The issues involved—in business, not in politics—are too important. Too many people are dependent upon the continuous operation of our business system to permit suspension of its functions for sentimental or totemistic reasons. It not only has to, but in the end it always does, go on operating whether the witches ride on new brooms or old, because it is driven by fundamental human needs and desires. Business has had its ups and downs in this country many times, but it has survived all Presidential elections successfully, and the records do not show that these periodic political Hallowe'en parties have had any important or consistent relation to our economic oscillations.

A moment's reflection will show that this is about what one might expect. Political issues usually seem, and sometimes are, important, but the prosaic wants of millions of people are always much more so. Whether Willy is elected the great white father or Nilly is chosen to serve his people, men will eat, work, and want things all the same. Established business concerns will reconcile themselves to the sour necessity of a Willy or a Nilly administration; others will rejoice in the prospect of four years of prosperity under the rule of a Nilly or a Willy, as the case may be; but willy nilly they are all bound to go on trying to do business as usual because there isn't anything else to do. Investors may worry for a while about the gold standard or balanced budgets, but they will sooner or later get tired of leaving their money to lie idle. Business executives can't eat bricks, steel, and machinery or even salesmen, nor do capitalists like to dine forever out of safe deposit boxes.

In the present instance especially it is evident that under either candidate the current governmental activities for protection and support of financial institutions and railroads and for unemployment relief and promotion of business recovery must and will be continued. We are too deeply involved to abandon them now.

Whatever the outcome and whether we like it or not, we shall all have to go back to work again anyway when this Hallowe'en party is over. Why not buckle down to business now and beat the other fellow to it? The intelligence and energy of individual business men in their own affairs will surely have more influence on the future prosperity of the American people than the campaign speeches of candidates or the platforms of parties.

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